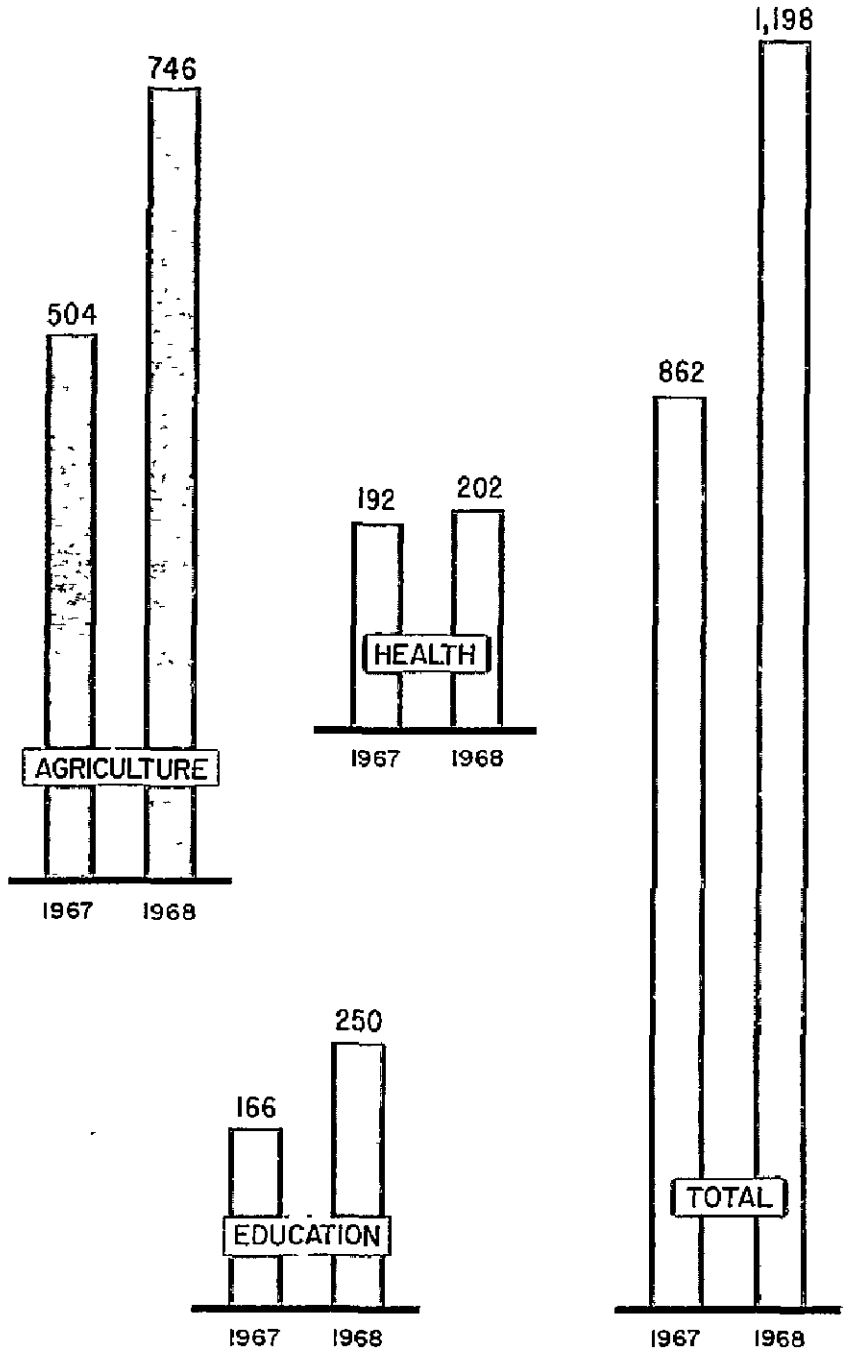
PROPOSED

FOREIGN AID PROGRAM FY 1968

AGENCY FOR INTERNATIONAL DEVELOPMENT

SUMMARY PRESENTATION TO THE CONGRESS

PRIORITY PROGRAMS ●●●●
●●●● IN ECONOMIC ASSISTANCE*



*Proposed Assistance under The Foreign Assistance Act

(Millions of Dollars)

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PROPOSED FOREIGN AID PROGRAM FY 1968

AGENCY FOR INTERNATIONAL DEVELOPMENT

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FOREWORD

In the words of President Johnson, the foreign aid program must "reflect the circumstances of the late Sixties, not those of the past."

Today's foreign aid program does just that. It is tight, tough and lean. The appropriations requested from the Congress for fiscal year 1968 represent realistic minimum requirements that are essential to the peace, security, and progress of the United States and the free world.

Aid programs help people of the developing nations to grow more food, build schools, establish hospitals and create the social and economic institutions so necessary for progress and peace.

No two country programs are identical. Each is tailored to the special development needs and circumstances of a particular country. Yet these diverse programs are all based on a set of basic principles which govern today's operation of the foreign aid program:

Self-Help: The United States stands ready to help those countries—and only those countries—that are willing to help themselves.

Agriculture, Health and Education: These are the main areas of program emphasis, with a special focus on bringing about a balance between food and mouths.

Private Resources: This is one of the principal keys to development progress. We are pushing hard for the involvement of private resources in the development process both at home and abroad. At home we seek to make the U.S. private sector a major partner and contributor in the U.S. aid program; in the developing countries we are seeking to develop strong, viable private sectors.

Balance of Payments: The aid program is managed in such a way as to help—not hurt—the U.S. economy. AID sends commodities and services abroad; the dollars stay here, creating jobs and businesses. In fiscal year 1968, 90 percent of the dollars appropriated to AID will be spent in the United States.

Multilateralism: The problems of the developing nations are the problems of the entire developed world, not just the United States. Aid burdens must be shared by the other free nations and international organizations; aid programs must be carried out in the framework of international cooperation and mutual support.

Regionalism: First priority is given to programs and projects which foster cooperation among neighboring nations to meet common development problems.

This volume has been prepared to provide Members of Congress with a clear and complete summary of the foreign aid program proposed for fiscal year 1968. We shall be happy to provide further information on request.

William S. Gaud

MAY 1967

William S. Gaud

GENERAL NOTE

Unless otherwise stated, the terms "foreign assistance" or "economic assistance," as used in this volume, refer only to programs conducted under the Foreign Assistance Act and exclude programs of the Export-Import Bank, the Peace Corps, Social Progress Trust Fund programs administered by the Inter-American Development Bank, and the Food for Freedom programs carried out under Public Law 480, the Agricultural Trade Development and Assistance Act of 1954 as amended.

All figures for fiscal years prior to 1967 represent actual obligations. Fiscal year 1967 figures are necessarily estimates based on the rate of obligation at the time this volume went to press, two months before the close of the fiscal year. All fiscal year 1968 figures represent proposed programs based on the fiscal year 1968 appropriation request and anticipated carryovers and recoveries.

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I. FOREIGN AID—SUMMARY AND PERSPECTIVE

> ". . . want is the enemy of peace and hopelessness the mother of violence . . . the wealthy nations cannot survive as islands of abundance in a world of hunger, sickness and despair."
>
> *President Lyndon B. Johnson.*

These words from the President's 1967 Message to Congress on Foreign Aid articulate the purpose that has guided this country's foreign assistance from the beginning. When the United States assists developing countries to satisfy the aspirations of their citizens, so does it also serve its own interest that the future be one of peace and security.

The proposed foreign assistance program for fiscal year 1968, like proposals in other years, embodies the best current understanding of how to stimulate development. It recognizes that methods are still evolving, that resources are limited. It is a blend of experience and innovation, even of experiment.

On the one hand the proposed Foreign Assistance Act of 1967 asserts the continuing conviction of the Agency for International Development (AID) that self-help is the first law of development and that U.S. assistance is properly concentrated in those countries that most thoroughly understand and most earnestly practice the self-help principle. As an illustration, 82 percent of AID Development Loans in fiscal 1968 will be concentrated in only eight countries.

At the same time the proposal mirrors AID's belief that agriculture, health and education are the dominant challenges in development; that development succeeds best in those countries that give scope to the dynamic forces of private initiative; that policies must minimize the effect of assistance programs on the U.S. balance of payments deficit in the interest of stability of the dollar; and that AID owes American citizens efficient administration of the programs their taxes support.

On the other hand the fiscal 1968 program reflects evolution, constructive change and the search for better ways of making American assistance work:

- It identifies increased agricultural production—the War on Hunger—as the highest development priority, links it to vigorous action in the related field of population, and implements recent administrative changes for more efficiently coordinating these urgent programs;

- In the interest of better administration and deeper probing of important issues it advocates legislative authorization for two years;

- It describes the broadening dimensions of AID's approach to multilateral assistance, including a proposed statutory requirement that 85 percent of Development Loans be made in a multilateral framework, and AID's specific plans for greater support of regional development;

- It sets forth a significant shift in aid policy for Africa, with increased emphasis on using multilateral and regional arrangements and a reduction in the number of bilateral programs;

- It would create, by law, a National Advisory Committee on Self-Help to advise both Congress and the Executive Branch on the extent and effectiveness of self-help measures taken by nations receiving aid.

The proposal also records progress. Several nations—Korea and Turkey for example—show distinct promise of the kind of "pay off" that has enabled AID to end its assistance to Greece, Taiwan and Israel. Finally it delineates how AID-assisted nation-building programs contribute to the frustration of Communist expansion in Southeast Asia.

SELF-HELP IS THE KEY

Development can occur only when a people and its government decide that they are willing to sacrifice and work for it. It is they who must analyze needs, determine courses of action, acquire the necessary skills, make the commitment of energy, resources and wealth.

The extent to which a country does these things is the first object of AID attention in planning a program of U.S. assistance.

On the average, developing countries contribute the equivalent of $8 in their own resources for every $1 in goods and services received from AID. But some do far more, for example India, whose contribution in fiscal 1966 was in the ratio to U.S. assistance of 24 to 1, and Colombia, whose ratio in the same year was 11 to 1.

But self-help cannot be judged solely on a quantitative basis. It must be of the right kind. Thus AID, on the basis of its cumulative experience, now can identify the self-help criteria to be taken into account in furnishing development assistance. These are spelled out in the new legislation. They include attention given to higher food production, efforts made to create a

favorable climate for private enterprise and investment, establishment of sound priorities, and the extent of economic, social and political reform.

On smaller projects AID's self-help requirement may be only that the recipient government assume a fair share of the costs. On larger projects, however, it is possible to stimulate far more in the way of self-help:

> • Before a loan was made to the Bolivian Mining Bank to finance expansion and modernization of private mining industry the Bolivian government undertook a major reform of the mining code, a reorganization of the bank, and the passage and enforcement of new mineral export tax laws to encourage mining investments.

On the other hand a loan to finance import of a range of commodities needed for development lends itself to self-help conditions affecting an entire economy:

> • In Korea a recent $10 million loan of this kind committed its government to better budgeting, better foreign exchange management, restraint on private credit, higher domestic revenue collections, and increased domestic savings. The loan was disbursed in installments as the Koreans complied with the self-help agreement.

It is also proposed that new legislation authorize the President to appoint a National Advisory Committee on Self-Help that will report annually to himself and the Congress on self-help performance by countries receiving U.S. assistance.

AID CONCENTRATES ITS PROGRAM

AID expects to help 65 countries in fiscal 1968 but it will concentrate the bulk of its development assistance in those whose size, population, resources and self-help performance give promise that development programs will succeed:

> • Only 16 countries will receive 87 percent of its direct country assistance;
>
> • 82 percent of AID's development lending is programmed for just eight countries—Brazil, Chile, Colombia, India, Korea, Pakistan, Peru and Turkey.

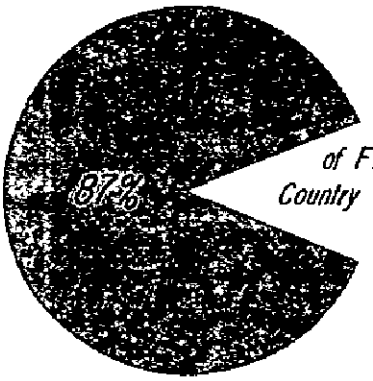
But AID also concentrates its Supporting Assistance, a type provided to countries having urgent needs for outside help in the interest of economic or political stability; or where the United States has strong interest in such stability:

> • In fiscal 1968 only four countries—Vietnam, Korea, Laos and Thailand—will receive 90 percent of Supporting Assistance.

CONCENTRATION OF COUNTRY PROGRAMS

16 MAJOR COUNTRIES

Brazil	Nigeria
Chile	Panama
Colombia	Pakistan
Dom Rep	Peru
India	Thailand
Jordan	Tunisia
Korea	Turkey
Laos	Vietnam



of FY 1968 Country Programs

DEVELOPMENT LOANS

8 COUNTRIES

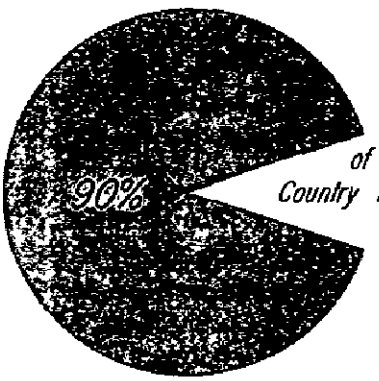
Brazil	Korea
Chile	Pakistan
Colombia	Peru
India	Turkey

of FY 1968 Country Programs

SUPPORTING ASSISTANCE

4 COUNTRIES

Vietnam
Korea
Laos
Thailand



of FY 1968 Country Programs

THREE PRIORITIES

The War on Hunger

The War on Hunger succinctly describes the U.S. approach to the worldwide problem of bringing food supply into balance with the mouths that must be fed. It is an action program dictated by the frightening reality of food production that stands still or nearly so while population climbs ominously. The $746 million AID proposes to help improve agricultural production in developing countries in fiscal 1968 is more than a quarter of its entire program. The amount is 48 percent above the comparable fiscal 1967 figure of $504 million.

As with all development problems, the key is self-help. Even if it sought to do so the United States does not have the capacity to make up the grain deficit of developing countries beyond 1985, only 18 years hence, if present trends in production and population continue. The only available strategy is that the United States and other developed nations make the deficit good in the immediate future while using every possible means to assist developing nations to grow their own food and curb the upward spiral of population.

Both objectives are feasible. There is enough arable land. The technology of higher production is known, although there are problems of adaptation. Effective family planning is largely a matter of national recognition, education and organization.

AID in fiscal 1968 will continue and significantly broaden its programs to help put food-short developing countries on the road to agricultural self-sufficiency. It will heavily finance fertilizer, both through exports from the United States and, more importantly, through increased production facilities within the developing countries themselves. Farm credit, irrigation, better seeds and pesticides, farming methods, land tenure, transportation, warehousing, pricing practices that bring a farmer a fair return, the tailoring of education to serve agricultural improvement, distribution systems that give play to private initiative—all these will be objects of technical and financial assistance allocated in response to the preponderance of effort and resources that must come from countries concerned.

While AID furnishes American experts, commodities and financing to help grow more food, the Food for Freedom program in which the Department of Agriculture, AID and the Department of State cooperate will continue to help meet present food deficits under a recently amended Public Law 480. Its food donation programs are the vehicle for adding important nutritional supplements that will continue to benefit millions of children.

AID's newly-created Office of the War on Hunger will also coordinate expanded assistance to countries requesting help with family planning programs, an effort to which $20 million is expected to be allocated during fiscal 1968.

Health and Development

The $202 million AID proposes to help developing nations improve the health of their citizens in fiscal 1968, representing a two-year rise of 60 percent in allocations for this purpose, will carry the work forward on two fronts:

- By assisting in control and eradication of disease;
- By helping developing countries train an adequate supply of indigenous health workers.

For example AID assists 19 West African countries in a drive to bring measles under control by 1971, and to eliminate smallpox in the same area by 1975. Between fiscal years 1962 and 1967, AID-supplied vaccine provided an estimated total of nearly six million inoculations against measles. In the smallpox program, AID-supplied vaccine provided the protection of more than 16 million vaccinations in fiscal years 1966 and 1967.

By December 1966 an activity in which AID cooperates with international institutions such as the World Health Organization and the United Nations Children's Fund had eradicated malaria in 34 of 148 countries with a malaria problem, bringing protection to 650 million persons and opening new lands to settlement and cultivation.

AID also contributes to the fight against cholera, including support of the SEATO Cholera Research Center in East Pakistan that has developed a promising high-potency vaccine against that disease.

At the same time AID helps developing countries battle enteric diseases at their source in polluted water supplies, having assisted in construction or expansion of 56 water supply systems in 37 countries in the last five years.

On the health manpower front, the most critical problem is not in doctors and nurses, although shortages in these professional fields are acute, but in trained auxiliary workers capable of bringing elementary health measures to large numbers of people, particularly in the countryside. Illustrating AID's contribution in this field are the more than 4,500 workers being trained in fiscal 1967 in facilities AID helped establish, or the more than 800 new health centers being completed in the same period.

Education and Human Resources

A single statistic—300 million developing country school age children are not in school—explains why AID plans to commit $250 million to the cause of education in the developing world in fiscal 1968, a figure up 50 percent from fiscal 1967 and about 82 percent from fiscal 1966.

On the record, however, the AID contribution to education for development already is significant as is evident, citing one example, from the more than 378,000 teachers trained in institutions AID helped establish. In many countries such teachers are upwards of a third of the teaching force.

Today AID continues its focus on teacher training and as well provides a wide range of assistance directed to realistic assessment of future man-

power needs of developing countries. With limited resources available, it is imperative that they not be wasted training people in skills irrelevant to development. In both programs, AID largely relies not on its own staff but on experts from American colleges and universities who work under goverment contract. In two typical examples:

- Michigan State University and the Stanford Research Institute are helping Thailand plan its educational system from primary schools through universities;
- In Nigeria a group of 10 U.S. universities and the Board of Education of Washington County, Md., provides help to some 200 schools, including three advanced teachers' colleges and 50 that train teachers for elementary schools.

In a less traditional field—television—AID finances exploration of that medium as a way of extending the services of a limited supply of teachers. More than 50 developing countries have transmitters and in Colombia educational television already reaches 400,000 schoolchildren.

SHARING DEVELOPMENT RESPONSIBILITY

The United States believes in cooperation with other prosperous free world nations that assist less developed countries, whether through its contributions to international development institutions or through active coordination of its own bilateral programs with those of other aid-giving countries.

It also believes in promoting cooperation among less developed nations themselves, especially in those regions where neighbors share common resources and would mutually benefit from their common development.

Both concepts—multilateralism and regionalism—receive increasing emphasis in AID. So does the continuing effort to persuade other nations to increase and liberalize their economic assistance:

- In Africa during fiscal year 1968 the AID program will reflect a new policy of increasingly using regional and multilateral assistance machinery and reducing the number of bilateral assistance programs;
- AID already commits about 85 percent of its Development Loans in a multilateral context and proposes that this practice be required by the Foreign Assistance Act of 1967;
- AID will encourage formation of consultative groups, beyond those for eight developing countries in which it now participates, and will continue membership in formal consortia of developed nations that annually pledge the

bulk of external financing needed by India, Pakistan and Turkey;

- AID will finance a $75 million contribution to the United Nations Development Program while exploration is proposed of ways in which AID Technical Assistance funds might be used by the UNDP to support agricultural and educational projects in Africa;
- AID will support the African Development Bank, with a membership of 29 African nations, through technical experts and financing of loan studies;
- In Latin America support for regional activities such as the Central American Common Market will be broadened to implement the commitment by the April 1967 "meeting of the Presidents" to create a Latin American Common Market in the 1970's.

In their own bilateral assistance programs other industrialized nations also continue to share aid responsibilities with this country. In fact three provide proportionately more and five lend for development on more generous terms. Seven furnish relatively more aid on a grant basis while more than 75 percent of experts and volunteers working in developing countries come from aid donors other than the United States.

PRIVATE RESOURCES AND THEIR ROLE

AID's view of the relationship between development and the private sector is unequivocal:

- Development programs succeed best and fastest in countries where local private initiative has ample freedom to function and where sound investment from the outside is encouraged and made welcome;
- The United States itself has no better instrument for assisting development than its own private enterprise system with its reservoir of skills and investment capital.

AID helps improve the climate for private investment in developing countries through both loans and technical assistance directed to specific purposes and in many cases through financing that supports and assists broad changes of policy:

- Recent large loans to India, to a great extent helping strengthen its agricultural sector, paralleled measures by that country to liberalize farm policies, reduce certain import and other controls, and encourage private foreign

investment in fertilizer, chemicals and other industries where technical and marketing skills were needed in addition to investment capital;

• Loans to a private nylon filament-plant in Korea and to the Ethiopian Investment Corporation for further lending to private companies exemplify direct AID assistance to private enterprise;

• Similarly helpful to private initiative is AID assistance to Brazil in drafting capital markets legislation or to Peru in establishing a graduate school of business administration.

The vast private sector of the American economy already plays a large role in programs financed by AID. Two of every five experts that AID fields in developing countries are in fact employees of American businesses, universities, non-profit groups, labor unions, etc., with which AID has contracts. In addition AID cooperates with and assists the 67 voluntary agencies registered with it in conducting overseas programs that are increasingly related to development.

The rate of private U.S. investment in developing countries is still unsatisfactory, however, although it is rising. To encourage and assist such investment AID provides a range of services through its newly-established Private Investment Center, itself part of the Office of Private Resources created in a recent re-organization.

Through these services AID supplies a variety of information, not only on doing business with AID but on direct investment opportunities to be found in the developing world. In addition it underwrites pre-investment feasibility and marketing studies and issues low-cost investor insurance and guaranties against a number of risks. For example, at the end of December 1966, AID's outstanding coverage in specific risk insurance (against loss from expropriation, inconvertibility, damage from war, revolution and insurrection) was $3.1 billion and rising. The program is authorized in 75 countries.

AID constantly searches for new ways of assisting American business and management skills to become involved in development. As one instance, it is considering using cost-plus-incentive-fee contracts to induce investment in critical fields, for example food production, where special risks foreclose normal investment. And it points with pride to successful operation of a program—the International Executive Service Corps—which it helped launch on a frankly experimental basis and still helps support. This private non-profit corporation has more than 2,600 experienced businessmen on its rolls who are available to work with developing country counterparts who need the kind of expert advice the Americans can supply. IESC volunteers worked on 154 projects in 1966 and are working on well over 300 in 1967.

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EFFECT ON THE ECONOMY

In the largest sense the U.S. economy is one of the chief beneficiaries of economic assistance since the peace and security such programs help assure is vital to its future growth and health.

It is also plain that further benefits accrue as developing countries, increasingly familiar with American products, pick up economic momentum and begin normal commercial trading with the United States, a trend already making itself felt. Taiwan's commercial imports from this country rose from $71 million in 1963 to $119 million in 1965 while Israel's rose from $102 million to $132 million in the same period.

Moreover, AID expenditures provide immediate gains to the present economy although they were not designed for that purpose. For it is not dollars but American goods and services that for the most part flow overseas in consequence of AID programs.

In fiscal 1966, for example, AID estimates that the $1.1 billion in foreign aid commodity purchases it financed in this country (90 percent of the total) involved over 4,500 companies in the 50 states, the District of Columbia and Puerto Rico, and resulted in payments of about $85 million to U.S. shipping lines. At the end of the same period AID had in force technical service contracts worth $478 million with private organizations or individuals in 49 states. Agricultural commodities shipped abroad in that period under Food for Peace legislation, with Department of Agriculture financing and AID overseas administration, were worth $1.6 billion to a total of 45 states.

AID's policy of tying its spending for commodities and other purposes to U.S. sources reflects its concern that economic assistance have the smallest possible impact on the country's balance of payments deficit.

In fiscal 1967, for example, the estimated impact, after deduction of loan repayments, is only $175 million. And, as tight procurement policies continue into fiscal 1968, AID anticipates a net effect in that year of $107 million. This is a drop of 88 percent from 1961 when $934 million was the net figure.

FRUSTRATING AGGRESSION IN SOUTHEAST ASIA

For so long as Communist policy is dedicated to military operations, subversion and terror applied against independent nations in Southeast Asia the larger tasks of economic and social development there will be severely hampered or postponed.

At the same time the United States and its allies in the area recognize that these forms of aggression exploit unrest produced by unsatisfactory economic and social conditions—particularly among rural populations.

Efforts must be made to improve these conditions, even as aggression occurs. The attempt to do so, which in Vietnam has been called the "other war," has parallel and related urgency in both Thailand and Laos.

An important AID effort in Vietnam assists that government's program of "Revolutionary Development," aimed at bringing constructive change to rural people. AID also finances the large-scale import of commodities needed to prevent inflation from sapping the economy's capacity to sustain national resistance.

Although carried out in the face of enormous difficulties of security, logistics and management, successes have been achieved in such fields as the training of rural development workers; in completion of thousands of self-help projects in education, health, public works and agriculture; in care of refugees fleeing the Viet Cong; provision of medical care; and in the expansion of desperately pressed port facilities. Inflation has been significantly dampened.

In Thailand AID supports an accelerated rural development program in regions most vulnerable to Communist penetration and assists with training of civil police forces. In Laos emphasis is on helping selected "village clusters" to become models of governmental and popular cooperation while contributing to security.

The United States has not permitted continuing Communist pressures to deter active support of programs potentially beneficial to the entire Southeast Asia region. It considers that regional cooperation is not only an effective means of development but conducive to future peaceful relations between the area's nations. Recent notable steps of a regional character include establishment of the Asian Development Bank, creation of the Southeast Asia Ministers of Education Secretariat, expansion of the Mekong Basin program, and a number of productive conferences among regional development leaders.

THE FISCAL YEAR 1968 REQUEST IN SUMMARY

Authorization for two years is requested for all programs carried out under the Foreign Assistance Act with the exception of Development Loans and Alliance for Progress loans and Technical Assistance grants which already are authorized through fiscal year 1969.

A multiyear authorization assures developing nations and other aid donors of the long-range character of the U.S. commitment. At the same time it permits the Congress to examine policy and program issues in greater detail than is the case when the entire Foreign Assistance Act is considered for authorization each year.

The two-year authorization proposal has no effect on appropriation of actual funds. As always, this process would take place annually.

Appropriation Request for Fiscal Year 1968

AID requests appropriations totaling $2,630 million, a figure $100 million higher than proposed in the President's Budget and Foreign Aid Messages. The new total is entirely accounted for by the Alliance for Progress for which the President sought the additional support after the April 1967 "meeting of the Presidents" in Punta del Este. An appropriation of $596 million is requested for military assistance.

The request by appropriations categories, of which a detailed discussion appears in Chapter XII, is as follows:

ECONOMIC ASSISTANCE	*In millions*
Development Loans	$774.0
Technical Assistance	242.8
Alliance for Progress	643.0
Development Loans	(533.0)
Technical Assistance	(110.0)
Supporting Assistance—General	170.0
Supporting Assistance—Vietnam	550.0
Contingency Fund	31.0
Contributions to International Organizations	141.0
American Schools and Hospitals Abroad	13.9
Pre-Investment Assistance	2.0
Administrative Expenses—AID	59.3
Administrative and Other Expenses—Dept. of State	3.4
Total Economic Assistance	$2,630.4
MILITARY ASSISTANCE	596.0
TOTAL ASSISTANCE	$3,226.4

II. SELF-HELP

"Self-help," said President Johnson in his 1967 Message to the Congress on Foreign Aid, "is the lifeblood of economic development. No sustained progress is possible without it. Aid provided as a substitute is aid wasted.

"Waste is a luxury none of us can afford. The only obligation tied to our aid is the recipient's obligation to itself—to mobilize its own resources as efficiently as possible."

This definition of self-help as "the lifeblood of economic development" is not merely an apt metaphor. It is also the basis of AID's practice of concentrating its limited resources in those countries that are helping themselves effectively and are therefore the best prospects for sound development. As noted in an earlier chapter, 87 percent of the total of all AID's direct country assistance will go to only 16 countries in fiscal year 1968 while 82 percent of its Development Loans will be concentrated in only eight.

Countries that have stagnated economically for decades—indeed for centuries—need outside help from richer, more modern, more efficient nations if they are ever to make a better life for their people as peaceful, progressive members of the world community. That is what foreign aid is all about.

But no amount of outside help can bring to a less developed country the extra push needed to get it moving on its own unless it is itself trying hard to do the job. This is what self-help is all about.

Self-help is not new. AID has recognized since its inception in 1961 that self-help is vital to the development process. In the interim, stimulation of self-help has evolved from policy to standard practice and procedure. With experience and progressively more sophisticated techniques, AID imposes self-help requirements with increasing effectiveness.

This is particularly true with so-called program loans which finance the purchase in the United States of a range of commodities needed to stimulate a developing economy. They have been used in a variety of ways to induce broad-scale reforms in monetary, agricultural, import, tax investment, and other policies and practices vitally affecting development. When appropriate, AID has suspended, withheld or reduced aid if a country failed to take agreed self-help measures. Again quoting President Johnson: "Action, not promises, will be the standard of our assistance. Accomplishments, not apologies, are what the American people expect from their desire to help others help themselves."

The United States and other aid donors can supply only a small margin of the immense resources needed for successful development. The major effort—the will, the leadership, the labor and most of the money—must come from the recipients themselves. They must, and in most instances do, make the sacrifices necessary for their own growth and progress. In terms of money contributed for development, the major AID recipients average $8 of their own resources for every AID dollar they receive.

Many countries far exceed that proportion, for example India which in fiscal year 1966 invested $7.3 billion—15 percent of its gross national product—while AID provided $310 million in assistance, a ratio of about 24 to 1. Colombia invested $980 million—16 percent of its 1966 gross national product—compared to an AID program of $87 million in fiscal 1966, a ratio of 11 to 1.

The proposed Foreign Assistance Act requires the President when furnishing development assistance to take into account:

- What a country does to increase food production and improve the means of storing and distributing it;
- To what extent a country is creating a favorable climate for domestic and foreign private enterprise and investment;
- Whether a country is spending what it should in such key areas as agriculture, health and education while avoiding undue military spending and intervention in affairs of other nations;
- A country's willingness to make its own contributions to assisted projects and programs;
- Whether a country is making economic, social and political reforms that will help it develop more efficiently and justly;
- Whether a country is responding to the economic, social and political concerns of its citizens.

To help the President and AID review and evaluate self-help performance, and bring to bear the views and perspectives of independent experts and leading citizens, the proposed act authorizes the President to appoint a National Advisory Committee on Self-Help, to report each year to himself and the Congress. The committee would pay special attention to the self-help criteria stipulated by the proposed legislation.

While these are the main self-help criteria, not all are applicable or relevant to every country receiving aid. The obstacles to development that self-help requirements are meant to combat have evolved over centuries in different ways in different countries. The process of promoting self-help therefore involves case-by-case analysis of what steps a country needs to take to make best use of its resources, what the government in power can in fact accomplish, and in what ways the AID program can be most effective in stimulating self-help.

In some countries, for example, increased agricultural production may be the first priority, while in another budgetary reform may be paramount. More can be expected from countries with stable governments than from countries facing political crises. Lasting results cannot be achieved by demanding or expecting immediate solutions to age-old problems.

AID's insistence on self-help depends, therefore, on a number of factors:

- A country's needs and resources;
- The volume of U.S. aid to a country, since a small aid program cannot stimulate sweeping reform;
- The ability of a government to carry out reforms or implement changes;
- Overall American relations with a country;
- AID's own capacity to identify a country's major problems and suggest the right solutions.

Insistence on self-help does not mean attaching political "strings" to U.S. aid. It does mean that limited funds are not wasted on countries which do not have sensible programs for mobilizing their own resources; are not prepared to carry out reforms; are not willing to improve their ability to feed their people; do not work to stimulate their own people, as well as investors from abroad, to undertake new and expanded private initiatives; have not embarked on the difficult task of building democratic institutions to ensure wide participation in the affairs of the nation; and are in general unresponsive to development needs.

AID is not alone in requiring self-help measures to ensure effective use of assistance. Major international agencies such as the World Bank and the International Monetary Fund (IMF) attach similar requirements to their assistance. In fact, AID works closely with both in many countries to determine the self-help steps the countries should take. Often American aid is tied to the country's performance of actions agreed upon with those agencies. Adherence to the provisions of an IMF standby agreement, for example, is frequently a condition for disbursement of an AID loan.

Often, cooperation between the United States, the World Bank or other international institutions, such as the Organization for Economic Cooperation and Development (OECD) and the Inter-American Development Bank (IDB) and other donors is carried out through consortia (for India, Pakistan and Turkey) or consultative groups (for Colombia, Ecuador, Korea, Nigeria, Peru, the Sudan, Morocco, Thailand and Tunisia), which recommend self-help measures to the recipient country. AID loans to countries for which consortia or consultative groups exist are normally contingent on these recommendations. They have been quite effective in stimulating self-help efforts. As an example, India devalued the rupee 37 percent in 1966 as a result of such a recommendation.

Another multilateral institution with which AID works very closely is the Inter-American Committee on the Alliance for Progress (CIAP), a

committee of Latin Americans and one U.S. representative, with an international staff, which annually conducts an exhaustive review of development progress in Latin America. These reviews result in detailed findings and recommendations to the country on how its development plans and overall economic performance might be improved. As a result of legislation passed last year—which AID supported—no Alliance loans may be made unless they are consistent with CIAP's findings and recommendations. In fact, the recommendations are usually endorsed by AID and other donors and made conditions for further Alliance loans.

STIMULATING SELF-HELP

Historically, self-help conditions first appeared in project agreements as detailed specifications related to a particular project. They require that certain reforms precede the signing of agreements or disbursement of funds; they specify that the receiving government supply matching funds or complementary facilities; and they provide that projects be operated in particular ways. AID has steadily insisted on more frequent use of these conditions. Today they are the rule rather than the exception for major project loans.

Illustrative examples are these:

- Before disbursing a $7.7 million highway loan to Afghanistan in 1964, the United States required the Afghan Government to create a national highway maintenance department, as it had become obvious that previous AID-sponsored highway projects had been allowed to deteriorate.
- A loan to the Bolivian Mining Bank to finance expansion and modernization of the private mining industry was not agreed to until the Bolivian Government undertook a major reform of the country's mining code, a reorganization of the bank, and the passage and enforcement of new mineral export tax laws to encourage mining investment; the new code is in effect, the new tax law has been passed, and the required reorganization is being carried out.
- In 1965 AID made two loans totaling $36 million to power companies in Brazil. To fulfill self-help requirements in the loans, the two companies agreed to invest $22 million of their own resources in expansion of their electrical facilities.

The use of project aid to promote self-help has some limitations. While it does enable AID to stimulate project-related self-help measures, clearly the value of U.S. aid and of a particular project can be reduced by unwise policies not directly related to the project. Investment in an export industry,

for example, will not pay off if inflation or exchange rate policies rob the industry of a competitive position in international markets. But it is difficult to apply self-help conditions far removed from the immediate needs of the project.

Thus, program loans have increasingly been used over the past few years to ensure that the over-all policies of the recipient are sufficiently oriented toward overcoming the obstacles to development to justify substantial U.S. assistance. Because of their immediate impact on an entire economy, program loans enable AID to effectively encourage broad-gauged fiscal and monetary reform, exchange reform, tax reform, import liberalization, increased government investment in development, or whatever other steps are called for in a particular country's circumstances.

AID now has a wide range of experience in the use of the program loan to engender self-help. Techniques for negotiating program loans and then assuring that self-help commitments are adhered to have been continuously refined. Detailed negotiating instructions are drawn up for guidance of AID missions or negotiating teams in ensuring agreement on a practical set of specific self-help measures to be undertaken by the recipient during the period in question.

Negotiations with Brazil in 1963 were the first occasion on which the United States tried to link significant program lending with performance. This country agreed to make a $400 million loan (involving AID, the Treasury Department and the Export-Import Bank) if the Brazilian Government implemented such economic reforms as improved tax performance, a reduced budget deficit and effective monetary control. Brazil did not make the reforms, however, and the bulk of the funds was withheld.

From this experience came the lesson that there had been inadequate evaluation of the agreed reform program, for which no field study of its political or economic practicability had been made, and that the all-or-nothing nature of the agreement was too strict for practical application. Since 1963, negotiations have been preceded by better advance analysis and have ended with more flexible implementing arrangements. Typically, program loans are now disbursed in quarterly installments contingent on review of self-help progress.

The Korean Experience

An instructive example is afforded by AID experience in Korea. During the 1956–63 period, agreement was sought on certain monetary and fiscal policies but with limited success. Because of the special U.S. political and military relationship with Korea, aid was nevertheless continued, though on a reduced scale. AID assistance fell from $200 million in 1960 to $108 million in 1963. At the end of this period the country was still faced by rampant inflation, dangerously low foreign exchange reserves, and no domestic savings.

However, the government which replaced the military regime in 1963 was more amenable to suggested reforms. Since then the United States has been able to require stringent stabilization policies before signing foreign assistance agreements and a review of performance before release of each disbursement. For example, under a $10 million, two-installment program loan whose disbursements began last year the Korean Government was committed to five financial targets specified as to amounts: (1) improved budgeting; (2) better foreign exchange management; (3) restraint on the issuance of private sector credit; (4) increased domestic revenue collection and (5) higher domestic savings. Half the loan was to be released in each of two quarters if Korean performance in each quarter was up to prescribed standards. The Koreans met the conditions.

While all Korea's economic improvements since 1963 cannot be credited to the self-help policies on which this country insisted, agreement is general that U.S. influence has been very effective. After living beyond their means for many years, the Koreans achieved a savings rate of almost six percent of gross national product in 1965, and the 1966 rate is estimated at 11 percent. Domestic revenue collections increased from $185 million in 1964 to $416 million, or 12.1 percent of gross national product, in 1966. Most significant, inflation was controlled so that gross national product in terms of actual purchasing power increased by eight percent in 1965 and is estimated to have risen by 12 percent in 1966. During this time the rate of price increases was reduced from 34 percent annually in 1964 to eight percent in 1966. The Korean Government has promoted exports by devaluing the won in 1964 and freeing exchange rates in 1965. As additional incentives, export credit has been made available and export earnings are tax exempt. As a result, exports increased from $32.8 million in 1960 to $175 million in 1965 and an estimated $270 million in 1966.

Careful review continues of Korean performance under the stabilization program worked out with AID in 1963. Program loans, Supporting Assistance grants and release of U.S.-owned and U.S.-controlled local currency continue to hinge on Korea's commitments and performance in support of stabilization.

Self-Help In Pakistan

The instance of Pakistan provides an example of a still different pattern of self-help. In 1964, AID concluded a $140 million program loan agreement with Pakistan contingent on liberalizing rules governing import of raw materials and spare parts. While the merits of this major policy change were clear to many Pakistanis, the entrenched positions of many others were threatened by liberalization. Thus the agreement required careful negotiation.

But results were quickly apparent. Many factories that had earlier produced at 50 percent capacity because of imported raw material restrictions were able to produce at nearly full capacity. In addition, iron and steel

financed by the loan made it possible for small entrepreneurs to produce tubewells badly needed to help increase foodgrain production. In the small town of Daska, West Pakistan, for example, where there had been hardly any machine tooling activities in 1961, there were 120 machine shops producing diesel engines for tubewells by mid-1965. As a result of the AID loan and previous development programs, almost 32,000 private wells had been installed by June 1965.

Program loans are frequently tied to compliance with IMF or World Bank recommendations. For example, AID's $15 million fiscal year 1966 program loan to Tunisia was contingent on adherence to IMF-established credit ceilings, as well as several other self-help requirements. Tunisia met them all. The fiscal year 1967 and fiscal year 1968 program loans will also be conditioned on Tunisian adherence to IMF-World Bank stabilization measures, including restricting investment to available resources, controlling the use of suppliers' credits, curtailing expenditures to provide an operating budget surplus, controlling release of counterpart funds to eliminate inflationary effect, improving the management and operations of state enterprises, and continuing credit ceilings.

Techniques for obtaining effective self-help through program loans affecting an entire economy are equally applicable in loans benefiting a particular economic sector, of which agriculture is a good example.

THE SPIRIT OF SELF-HELP

In countries practicing it most successfully, self-help is more than a *quid pro quo* reluctantly promised in order to obtain assistance. In such countries it is increasingly marked by an indigenous spirit that frankly recognizes pressing needs and moves enthusiastically to meet them. The real impetus is in the spirit itself and not in external stimulation.

Some examples of these countries and a by no means exhaustive list of self-help measures they have taken illustrate this point. It is no accident that the countries are among the eight on which AID will concentrate 82 percent of its proposed Development Loan financing in fiscal year 1968.

The Indian Government, for example:

- Devalued the rupee by about 37 percent;
- Liberalized complex exchange controls and trade restrictions, allowing independent traders more adequate imports and thus a capacity to compete in an incentive atmosphere, and specifically enabling some 60 priority industries to obtain vital imports and stimulate their exports;
- Is increasing fertilizer imports from about 650,000 nutrient tons in fiscal 1965–1966 to a target of 1.3 million nutrient tons this fiscal year;

- Set aside 32 million acres of the most productive farm land for an intensive development program and gave pesticide industries priority status under import liberalization plans;
- Included in the Fourth Five-Year Plan's goals a 44 percent increase in the number of students enrolled in schools and a 30 percent increase in technical education;
- Is requiring a rupee outlay for development under the Fourth Plan double that of the Third Plan and 20 percent greater than that of all previous plans combined;
- Committed itself to a program of family planning to cut the birth rate by nearly 40 percent over the next 10 years, devoting to it in the Fourth Plan four times the investment of the period of the three previous plans combined.

The Pakistani Government has:

- Placed high priority on development in the fiscal year 1967 budget by allotting $1.036 billion in development funds, a 30 percent increase over the $789 million allotted in fiscal year 1966;
- Emphasized agricultural production in the Third Plan (1965–1970), with an allocation of about 35 percent of total plan resources, and raised the agricultural growth target to five percent from the 3.2 percent achieved during the Second Plan and the less than one percent of the First Plan, in order to achieve foodgrain self-sufficiency in the early 1970's;
- Undertaken a family planning program to reduce the net population growth rate from 30 to 25 per thousand by 1970;
- Taken initial steps to restore import liberalization.

The Turkish Government has:

- Followed monetary policies that permitted the wholesale price index, which was 10 percent above the 1965 average in February 1966, to fall to only four percent above the 1965 average by October 1966;
- Authorized payment of a 27 percent premium on repatriated funds earned abroad, increasing remittances from workers abroad from $9 million in 1964 to $70 million in 1965 and to an estimated $115 million in 1966;
- Implemented agricultural policies which, together with excellent weather, resulted in an 11 percent increase in agricultural production in 1966.

In Brazil the Costa e Silva government has renewed the commitment to anti-inflationary and trade expansion programs of the Castello Branco administration that had:

- Reduced budget deficits from 46 percent in 1964 to 11 percent in 1966, so that they are no longer major causes of inflationary pressures;
- Closely restrained bank credit and wages;
- Imposed a courageous coffee policy that will reduce the real return to producers by about 45 percent in the 1966–67 crop year;
- Instituted some basic reform measures in tax structure, land tenure, agricultural credit, education and operation of private enterprise.

The Frei government in Chile has:

- Succeeded in reducing the inflation rate from 40 percent in 1964 to 26 percent in 1965 and 17 percent in 1966, while gross national product rose by 5.8 percent in 1965—a three percent per capita increase over the 1964 level—and is estimated to have risen by about six percent in 1966;
- Taken significant steps toward trade diversification by increasing production of such items as processed foods, newsprint, lumber and cellulose;
- Persuaded the Congress in mid-October 1966 to pass a constitutional amendment permitting deferred payment for expropriated land, paving the way to passage in early 1967 of a strong land reform law;
- Improved prices that farmers receive for their products and instituted policies that have increased the import and use of fertilizer, insecticides and modern machinery;
- Enacted legislation authorizing new and improved relationships with the U.S. copper companies operating in Chile, which will permit full-scale initiation of the $500 million copper expansion program designed to double Chile's output by the early 1970's;
- Increased annual tax collections by five percent in real terms—up from 13.7 percent of gross national product in 1964 to an estimated 19 percent of gross national product in 1966;
- Liberalized imports through such policies as the reduction of the foreign exchange waiting period and the reduction of prior deposits, additional taxes and surcharges on a wide variety of capital equipment;
- Begun a major educational reform program, adding seventh and eighth grades to primary schooling, raising

primary school enrollment by 175,000 in 1965 as compared to an increase of 40,000 in 1964, and increasing secondary school enrollment by 30 percent in 1965.

The Colombian Government has:

- Doubled its investment in agriculture in 1966 and will triple it in 1967;
- Proposed legislation to triple the annual 100 million pesos ($7.4 million) appropriation for the Land Reform Institute and to authorize an additional 100 million pesos for bonds to pay owners of land taken for distribution.

III. THE PRIORITY PROGRAMS

The volume of AID's financial commitment to agriculture, health and education as priority programs for economic development is going up. So is the level and diversity of American expertise that AID, drawing on both public and private sources, is throwing into the vital work.

In fiscal year 1968, AID proposes to commit $746 million to helping developing nations solve the problem of feeding themselves, compared to an estimated $504 million in fiscal 1967. It would allocate $202 million to health programs against $192 million estimated for fiscal 1967. Its education programs would receive $250 million, up from an estimated $166 million in fiscal 1967.

This anticipated total commitment for the coming fiscal year will increase resources assigned the three priority programs by more than 39 percent over fiscal 1967, to $1.198 billion compared to an estimated $862 million in fiscal 1967.

The detailed case on which this rising concentration rests is developed in sections that follow. They explain not only the "why" of concentration but the "what" and the "how" of the instruments mobilized for the effort.

AGRICULTURE AND THE WAR ON HUNGER

The inexorable arithmetic of the world's food supply and the population it must feed means that improved agriculture has the highest development priority of all.

In simplest terms, population has been rising faster than food production. There is less food per capita in the world today than a year ago. The rate of increase of food production in the developing world has slowed since 1960 while population has continued to rise by 2½ to 3 percent annually. But in 1966, when world population grew by 70 million, food production stood still. Nor is the increase in demand entirely a quantitative matter of numbers of people and tons of food.

The fact is that economic progress has brought increased purchasing power, most of which has been quickly channeled into buying better food and more of it. Yet better food, notably meat, milk, eggs and poultry, itself increases demands on an agricultural system because of the animal feeds required to produce it.

The significance of these facts—in terms of world stability, peace, further economic progress—is plain. If developing countries cannot meet these

accelerating qualitative and quantitative food demands, the bill for failure will be paid in political and social unrest among people no longer content with silent suffering, in the stifling of economic and social development, in malnutrition—and eventually in widespread famine. The outlook would be virtually hopeless if solution to the problem were not widely acknowledged as feasibly within the capacity of the modern world to achieve.

We know how to produce vastly larger amounts of food. We know how to improve and increase arable land. We have barely begun to fully exploit the food resources of the sea. And we are confident, looking at the other side of the as yet unbalanced equation, that population growth can be effectively curbed without violence to human dignity. We know, in short, that the problem can be made to yield if the right measures are adopted and vigorously pursued. We know, above all, that solution of the problem must take place in the food-deficit nations themselves For if recent trends continue the grain *deficit* of the developing countries would by 1985 exceed the *entire* grain production capacity of the United States even if all American grain acreage were producing.

In the face of this problem, a three-point strategy has evolved by which both the developed and developing worlds may frustrate the catastrophe implicit in recent trends:

- The developed world must use its own land and technology to produce food for the developing world's needs until that world can feed itself;
- The developed world must simultaneously do all it can to transfer applicable portions of its technology of food production to the developing world while also affording those that are serious about population control the help they need to achieve it;
- The developing countries must sacrifice, invest, train, legislate and reform on an adequate scale and for as long as necessary in order to master their own agriculture and the size of the population it serves.

Plainly, the third element of strategy is the key to the rest. The United States and other developed nations can provide interim food relief, a deep reservoir of experience and successful technology and a measure of persuasion. But in the end the developing countries must rescue themselves.

In the United States the increasingly coordinated effort to meet American responsibilities and to mobilize a concerted worldwide response is called the War on Hunger.

Gearing for the Task

Two major programs constitute the American arsenal for waging the War on Hunger:

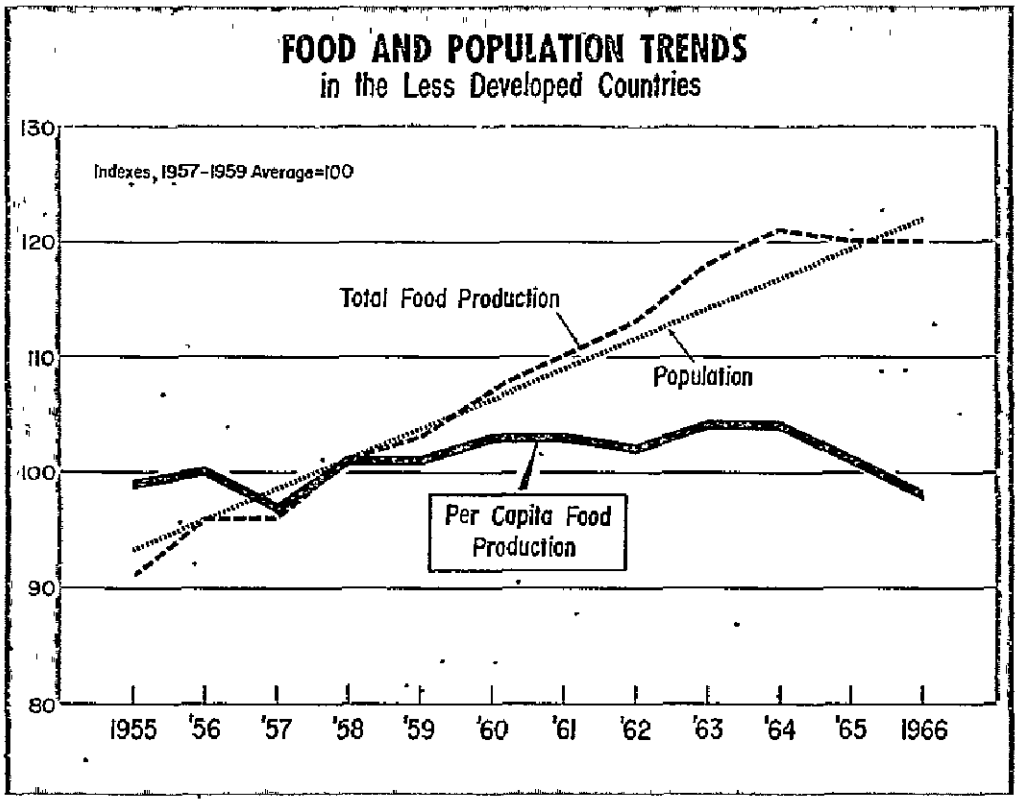
- The foreign economic assistance program administered by AID, which furnishes American skills, commodities and financing to help developing countries grow more of their own food and implement programs in family planning;

- The Food for Freedom program, under which AID, the Department of Agriculture and the Department of State work together to use American food supplies to battle hunger and malnutrition, stimulate agricultural improvements abroad, promote economic development and build markets for U.S. farm products.

To emphasize the importance attached to this effort and to better coordinate its elements—food, family planning, nutrition, technical and financial assistance to agriculture—President Johnson in March 1967 created a central staff office in AID devoted to the War on Hunger.

Under this office's policy guidance, AID plans in fiscal year 1968 to commit $746 million to helping developing nations improve food production. It also has set a target of $20 million for allocation to family planning, and $7 million to nutrition and child feeding programs. These commitments, however, are contingent on solid self-help performance by the recipients.

The Food for Freedom program, based on an amended version of Public Law 480, contains many of the best features of the previous Food



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for Peace program which effectively used American food from 1954 through 1966.

Its new aspects include the following:

- To qualify for food aid, recipient nations must give priority attention to becoming self-reliant in food production;
- Availability replaces surplus as the basis for U.S. food shipments and crops will be grown to meet actual need;
- Sales will shift from local currency to long-term dollar payments by 1971, a provision promoting financial discipline among purchasers while leading to more normal future commerce;
- Nutritional requirements, especially for children, receive special emphasis.

The market value of food aid to be made available for developing countries in fiscal 1968 is approximately $2 billion.

Factors in Growing More Food

Increasing food production in a developing country is a complex business.

Between the will and the accomplishment there is a wide gap, although a firm national resolve to begin and to persevere is the most essential factor. One country's successful drive to more and better food will vary from another's. But sustained application to the task will be common to all.

Another factor is the land itself and the circumstance that for the most part developing nations must concern themselves with increasing the yield of land already under cultivation. Indeed, many countries cannot appreciably expand their arable acreage.

Agronomists agree that the major hope of expanding land under cultivation lies in irrigation of desert areas. But there is also a consensus that, since modern technology is often capable of tripling or quadrupling production per acre on land now farmed by inefficient traditional methods, land supply is not the dominant problem.

The dominant problem lies in mustering the massive amounts of capital to increase yields and in deciding how and in what combination to apply known methods and tested policies suitably adapted to conditions in the country involved. For it is not enough merely to enrich soil with more fertilizer, although that simple act can have miraculous results. There are also questions of the best seeds, the most effective pesticides, well-designed tools and equipment, and the proper amount of water supplied at the right times. To these considerations must be added the knowledge of the farmer himself, an education extension system that not only must make new knowledge readily available but persuade him that using it is in his self-interest, and the assurance that there will be effective demand for the increased production.

Credit is another factor; it must be available on reasonable terms and with a minimum of red tape. So is a country's pricing and marketing system, since a farmer's heart will not long be in his work if inefficient and unrealistic practices do not reward him for his toil. So too is the proximity of markets, or failing that, roads leading to them. Moreover, the matter of land ownership can be important since uncertainty as to tenure, or knowledge that most of the fruit of increased production will go to a landlord, is no incentive to harder work or adoption of new ways.

Adaptive Research

Nor is there any guarantee that what works in a modern agricultural nation in the north temperate zone will work as well or at all in a tropical or arid region. Thus adaptive research—scientific determination of how seeds or fertilizers or plowing methods can be modified to suit new conditions—is a further essential in the integrated approach to agricultural revolution.

Finally there is the role a developing country accords to private initiative in agricultural fields, whether expressed in business enterprise or in voluntary cooperative efforts. Rapid development is most probable when private initiative is given ample freedom.

Agriculture, in short, is a "systems problem," to use the jargon of modern planners, a problem of identifying the components of success and of arriving at the right "mix" in any given situation. It is apparent, however, that much greater amounts of fertilizer are necessary in any event and that they offer the highest promise of fast results.

In India, for example, application of proper amounts of fertilizer would increase grain production threefold although that country is in fact using less than a fourth of what is needed, a proportion roughly true for other food-deficit nations. The chief reason is that developing nations simply do not have the fertilizer and cannot afford to buy it. As a group, these countries produce no more than three million tons of fertilizer a year. However, they need three times that amount and by 1970 will need five times more merely to feed their people at the present inadequate level. Yet expectations are that fertilizer production in developing countries will scarcely exceed five million tons by 1970.

This explains why AID spent some $95 million on fertilizer exports in fiscal 1966, about 25 percent of its total investment in agricultural development. It also explains why construction or expansion of fertilizer producing capacity has top priority for AID while it actively seeks opportunities to subsidize feasibility studies, assist with joint financing or insure fertilizer investments against a variety of risks.

An example in El Salvador illustrates how AID helps fertilizer work its miracles. In that country a joint effort of private enterprise, the El Salvador Ministry of Agriculture and AID has engaged nearly 3,500 farmers in a mass demonstration project involving application of fertilizer to their own corn land.

In the first two years, per acre corn production increased four-fold. The farmers moved from subsistence growing, for themselves and livestock, to producing enough to sell on the open market and thus supplement family income by a total of almost $3 million. And private enterprise has sold an additional $800,000 in fertilizer and seed.

The Approach to Family Planning

No matter how successful the world may be in increasing agricultural productivity, long continuance of the present population growth rate would bring disaster. Before the world reaches the projected level of seven billion population in the year 2000, millions would be without food and there would be widespread breakdowns in employment, education, housing, health and public services, with consequent disorders of many kinds. Fortunately, world concern over the social and economic consequences of this fact is growing. Yet progress has beeen slower than the urgency of the situation dictates.

Unlike other kinds of assistance, including help in raising food production, family planning programs are relatively cheap in terms of foreign exchange needs supplied from the outside, which means that for the most part such programs must be financed with the currency of the country concerned. Moreover, the techniques of family planning are simple, although further research is needed to develop additional ones and to learn how best their wide use can be achieved.

Although basically consistent with an individual's desire to influence his own and his children's destiny, such programs require well-conceived and well-executed educational efforts because of social and cultural changes implicit in wide acceptance of and fidelity to family planning practices. They also require trained staffs, supplies, transportation and equipment. Nor is progress quickly ascertained or measured.

In those countries that have not acted urgently the fundamental obstacle to progress in family planning is insufficient awareness of what fast-growing populations mean, not only to food supplies but to an entire development program.

The Role of AID

The Republic of China on Taiwan, where AID ended its economic assistance nearly two years ago, has become the classic example of a successful development program, particularly in agriculture.

Its food production has risen six percent annually since 1956, its increasingly efficient agriculture has provided both capital and new sources of manpower to other economic sectors, and its growing status as a food exporter has added to its ability to earn foreign exchange. Taiwan also has mounted a vigorous program in family planning.

Taiwan, in short, is a country where generous American assistance was matched by sound agricultural policies and active implementation measures, leading to self-sustained economic momentum.

The success of this combination in Taiwan and other countries illustrates why AID, tactfully but firmly, increasingly uses the contingent availability of its assistance as a lever for inducing developing countries to mobilize their resources on a scale adequate to the gigantic task of transforming their agricultural systems.

Conversely, AID recognizes that American resources applied in the absence of self-help are not only wasted but may worsen a problem by deferring realistic attempts at solution.

Thus in fiscal year 1968, AID will continue to use the variety of instruments at its disposal—development loans, technical assistance, research, food aid, surveys and insurance for American investors—in an expanded and increasingly integrated program to do more for those who help themselves.

Lending for Agriculture

An effective means of providing American financing for overseas agricultural development is the program loan, so called because of its application to a country's entire development program, or a sector of it, as distinguished from particular projects. Such a loan not only provides dollars for purchase in the United States of essential commodities for which foreign exchange is necessary but creates revenue for the borrowing government through payments in currency of the country by ultimate private buyers. This revenue is then available for allocation to development.

Under present AID policies the use of such loans for commodities basic to better agriculture—fertilizer is a prominent example, farm machinery is another—is a primary condition for making a loan in the first place. So is agreement that consequent local currency revenue will be heavily invested in increased food production. And so, typically, is reform of land tenure practices or price policies. In any case, disbursement installments are contingent on actual compliance with agreed conditions and are withheld if the conditions are not met.

India is the outstanding example of a country where AID uses program loans to support policy changes affecting food supply. That nation of half-a-billion people committed itself to a substantial rise in investment in agriculture, specifically to nearly a fourth of total planned investment over the next five years. It already has changed pricing to permit higher returns to the farmer and it has acted to make available more seeds, pesticides, fertilizer and other farm supplies. It has liberalized rules governing fertilizer import and marketing to give freer play to private distributors and has moved to increase domestic production in both public and private plants.

A recent gain in this field was a decision to proceed with construction in Madras of a plant that will produce 300,000 tons of fertilizer a year by 1971, meeting about nine percent of India's needs. The enterprise will be jointly owned by the Indian government and Amoco India, a subsidiary of Standard Oil of Indiana. A significant policy departure by the Indian gov-

ernment is represented by Amoco India's right to distribute products through its own marketing organization without price controls for the first seven years. AID's assistance was a guaranty covering 75 percent of a $23 million, 14-year loan to be made by U.S. private lenders.

An instance of application of the same loan technique exclusively to the agricultural sector is afforded by Brazil. A contemplated loan to Brazil would finance investment in market and distribution facilities, seed production and development of both livestock and wheat growing in Rio Grande do Sul and Santa Caterina states. The loan will hinge upon higher investment by the Brazilian government, effective use of credit institutions, palpable progress in land reform, and realistic price policies.

Worldwide, AID is reserving approximately $300 million for program lending in support of agriculture development programs in fiscal 1968, double the $150 million expected to be the total in fiscal 1967.

Project Loans

While program lending diffuses its benefits through all or a large part of a developing economy, project lending focuses on specific projects.

A project in West Pakistan illustrates how AID project lending can lead to dramatic results in agricultural development if due attention is given various factors in higher food production, such as water, fertilizer, seed and tillage practice. A sustained self-help effort by Pakistan that was supplemented by critical loan and technical support from the United States, particularly since 1961, demonstrated that self-sufficiency in food may be within the grasp of West Pakistan in the near future. Already, its agricultural production growth rate has reached an impressive 5.5 percent annually.

Pakistan's Punjab region has long been watered by one of the world's most extensive irrigation systems. But its improper management over decades meant the virtual loss to agricultural production of some 23 million acres through a combination of waterlogging and salinity. The destruction had reached an additional 100,000 acres each year before the problem was seriously addressed.

In a 1.2 million acre pilot area near Lahore, some 2,000 tubewells were installed in 1961–63 with help from AID loans, enabling Pakistani engineers to lower the water table while leaching out salts and often providing more water for irrigation. In this way more than half of the 525,000 acres all or partially destroyed in the pilot area have been reclaimed. More importantly, its wheat yield is nearly 60 percent better than before the program started while other crops show equally impressive gains.

Comparable work has begun in a second area of a million acres and a further project loan to help pay the dollar cost of procuring and installing another 1,550 tubewells is under consideration for fiscal 1968. Planning is going forward for two more projects for which both West Germany and Yugoslavia have agreed to provide major assistance.

On a world-wide basis AID in the period 1962–67 has assisted in initial irrigation of 9.4 million acres of land and in reclamation of 4.3 million acres.

Using American Experts

In many ways technical assistance, a phrase that simply means the provision of expert American advisors, is at the heart of foreign economic aid. For it is in the person-to-person contact between U.S. specialists and their foreign counterparts, who will one day carry on the tasks of development themselves, that the essential transfer of modern technology occurs.

Thus technical assistance is essentially a training process, whether conducted in the country receiving help or in a classroom of an American university.

In fiscal 1967, AID is financing the services of some 1,200 agricultural experts in 55 countries. To obtain them AID draws on its own ranks, on universities and colleges and other private sources under contract to it, and on federal agencies, particularly the Department of Agriculture, with which it has formal agreements. These experts work in such widely diverse places as ministries of agriculture, central planning offices, credit institutions and cooperatives, research laboratories, school or college classrooms, among extension service workers or in the mud of a rice paddy.

At the same time AID brings to the United States agricultural professionals for advanced or specialized training related to a specific agricultural development requirement in their home country. Course of study may be for several weeks or several years. In fiscal 1966 more than 3,300 such professionals received training under this program and a comparable or greater number will have done so in fiscal 1967.

A typical large program of technical assistance to agriculture is found in Korea, where sophistication in farming has reached the point that attention may now be turned to development of long-range policies and establishment of permanent modern institution that will enable Korea to manage its own food production system without outside help. In fiscal year 1968, AID will finance 34 American technicians in 19 special fields. They will concentrate on policy-making and administrative capability and on development of more land for cultivation.

This redirection of technical assistance reflects Korean progress in more basic agricultural programs.

At the national level, AID is supplying an economist and a statistician to help the Ministry of Agriculture and Fishing improve planning and statistical evaluation. At the provincial level, 17 AID rural development officers advise local government agricultural authorities. With AID encouragement and support, Korea already has passed a law permitting mortgage of farm land as loan security, has greatly decentralized planning and implementation among provincial officials, and has made progress in economic evaluation of farm output.

Both AID and the United Nations Development Program have joined Korea in sponsoring a project to develop enough new land to turn the country from a net importer of food to a net exporter, thus making agriculture a source of further investment capital. AID's contribution consists of technicians and Food for Freedom commodities. Already, bench terracing in the highlands has converted 171,000 acres to cultivation while measures against erosion have been taken on 335,000 more.

On a world-wide basis, AID anticipates allocating $78 million to Technical Assistance grants in the field of agriculture during fiscal 1968.

Research

Just as research is a foundation stone of American agricultural technology, so can it also serve the imperative agricultural revolution in the developing world. In fiscal 1966, AID's commitments to agricultural investigation increased 16 percent over fiscal 1965, from just over $4 million to nearly $4.7 million.

Work supported by these outlays takes many forms:

- In Latin America, Michigan State University is comparing food marketing systems and studying how farmers can best be moved to learn and use new methods. Ohio State University is researching agricultural credit problems in the same region while the University of Wisconsin gathers data on land ownership, tenure and the agrarian structure.

- Purdue University is working to improve the quality of protein in corn and sorghum in more than 20 countries. The University of Nebraska is studying ways of improving the nutritional quality of wheat. A contract with Oregon State University supports research in the important problem of weed control in developing countries.

- Purdue also has a 14-man team working in Brazil with the Minais Gerais Rural University's agricultural research and higher education center on a wide range of farm problems. In Thailand an equal number from the the University of Kentucky is assisting the New Agricultural Research Center near Khon Kaen, emphasizing scientific crop improvement and development of forests and inland fisheries.

- In India, AID uses U.S.-owned rupees to help support the Central Food Technological Research Institute in Mysore. Among the institute's accomplishments has been formulation of a food supplement, prepared from peanut and roasted chickpea flours, that is easily mixed with Indian diets to provide needed protein.

Although the program is still in its infancy, AID also expects to finance vigorous exploration of the prospects of finding in the world's seas new sources of protein-rich food for developing nations. In February 1967 AID provided $200,000 to the Bureau of Commercial Fisheries, Department of the Interior, to pay for expanded fish flour production at its research plant. Production of the tasteless flour, which AID will test in developing countries to see how it can be combined with traditional meals, will rise from 100 to 300 pounds daily through the AID financing.

Some testing of small available supplies already is in progress with AID support. In Chile the University of California is working it into local diets and experimentally evaluating its nutritional effects. Pre-school children in Peru also receive it under conditions controlled by the British-American Hospital through the U.S. National Institutes of Health. Three AID teams in Brazil have included the fish flour in general nutrition studies conducted among needy persons. It is also part of a broad study on increasing protein resources carried on by Indian researchers with AID technical advice.

Food and Private Enterprise

AID considers that the United States can make no greater contribution to increasing the developing world's capacity to feed itself than by helping to strengthen the elements of a private production and marketing system. Such a system enables the six percent of Americans engaged in agriculture to feed the entire country and to export as well.

The War on Hunger provides American "agribusiness" an opportunity and a challenge to participate in meeting a world crisis and to invest profitably. AID's Office of Private Resources, created concurrently with the Office of the War on Hunger and working closely with it, is concentrating much of its effort on assisting American "agribusiness" to undertake operations in developing countries. It does so through AID's established incentive programs as well as a wide-ranging exploration of new approaches and inducements.

A particularly promising effort in AID's broad approach to food-related investment in developing countries is its "High Protein Commercial Food Studies Program," being put into effect in fiscal 1967. Its essence is a larger AID share in reducing risk through assumption of some of the expense of both market surveys and product testing. Development of the high-volume low-profit product—commercially processed and distributed high protein foods that are nutritious, acceptable and cheaply priced—remains the responsibility of the potential ultimate investor.

Initial testing will be done among urban populations that obtain their food through purchase rather than farming and for which foods at once nutritious and cheap are not now available.

First application of this technique will be in El Salvador where the Pillsbury Company of Minneapolis will use $60,000 in AID funds for market surveys and product testing of food supplements made from cottonseed,

peanuts and soybeans—all indigenous to the area. An AID-Pillsbury contract was signed in February 1967.

AID is also exploring using a cost-plus-incentive-fee approach to engaging American private enterprise in particularly critical food production fields.

Meantime, however, AID actively employs its existing authority to insure American investors in developing countries against losses from such specific risks as war, insurrection, expropriation and inconvertibility, to issue under special conditions extended risk guaranties protecting an investor against political business risks, and to underwrite up to half the cost of pre-investment surveys.

Use of all three incentive programs in connection with better agriculture is on the rise. Total investment in War on Hunger projects covered by specific risk insurance increased 11 percent in calendar year 1966 to $69.3 million, up from $62.4 million in the prior year. Investment in fertilizer projects, however, rose faster than for agriculture in general, from $14 million in fiscal 1965 to over $24 million in fiscal 1966.

Liberalizing Guaranties

During fiscal 1966, AID liberalized its criteria for extended risk guaranties in order to attract to developing countries long-term investment capital in the hands of institutional lenders such as pension and trust funds. An immediate effect was felt in agricultural fields where coverage rose from $5.1 million in fiscal 1965 to $9.1 million in fiscal 1966. By March 1967, guaranties had been issued on proposed investments totaling $36.5 million including two large fertilizer manufacturing plants in India and Brazil.

In fiscal 1966 AID underwrote 23 surveys for possible food-related investment in developing countries. Twelve surveys completed in 1966 led to decisions to make private investments totaling $11.2 million.

AID construes its mandate to engage private American resources in agricultural development overseas in much broader terms than assistance to commercial investors. AID policy also embraces the potential of this country's unique variety of voluntary agencies and its great and profitable experience with farm cooperatives.

In fiscal 1966, for example, American voluntary agencies registered with AID stepped up their own support of increased agricultural production in the developed world by 17 percent over the previous year—from $5.7 million to $6.9 million. In addition, these agencies are distributing most of a corn-soya-milk (CSM) high protein concentrate purchased by the government for Food for Freedom. Participating agencies include CARE, Catholic Relief Services, Church World Services, Lutheran World Relief, American Jewish Joint Distribution Committee, Mennonite Central Committee and Seventh-Day Adventist Welfare Service.

In the last full fiscal year, a majority of the 2,500 new cooperatives organized in the developing world with help from AID-financed contractors involved agricultural benefits for their 500,000 members. Farm credit

co-ops, rural credit unions, marketing, supply and electrical co-ops—all are typical of this program. Village farm co-ops are the basis of a new program AID is helping finance in Senegal to expand food production there, specifically in rice, corn and millet. In the summer of 1967 officials from several West African countries will study farm cooperative development at Arkansas Agricultural, Mechanical and Normal College in Pine Bluff, Ark., continuing a program for which the National Farmers Union was the AID contractor. A fiscal 1967 AID loan is helping build facilities through which Bolivia's Rural Cooperative for Electrification will supply power to nearly 3,000 rural consumers for the first time.

Food Aid and Nutrition

Food shipped to developing nations under the Food for Freedom program and through AID's own purchasing serves more purposes than the immediate alleviation of hunger. It is also an additional resource for development, particularly in agriculture.

A large proportion of a country's currency paid to the United States for food is available for mutually agreed development projects. Similarly, money paid to the purchasing government by private buyers supplements other budget revenues and is also available for development.

In Korea, to cite only one example, proceeds from American grain sales have financed a number of small but productive rural development programs while helping to support the government's budget. Nor did these grain imports from the United States discourage Korea's own grain production. On the contrary this has increased 6.3 percent annually over the past five years. Had these additional resources not been available it is likely that government spending on agriculture would have been smaller.

In addition, a portion of local currency sales proceeds is reserved for loans to enterprises involving American and local investors and to local investors alone when their business will expand the use of American agricultural products. In calendar 1966 such loans relating to War on Hunger goals totaled the equivalent of $5.2 million.

Food is also used in many countries as partial wages, as the food-for-work principle has replaced outright doles. Good examples of devoting this resource to important agricultural ends are found in Korea, Taiwan, Morocco and Algeria, where extensive reforestation has been carried out on this basis. Homes, schools, rural health centers, wells, drainage and irrigation are among other purposes to which this kind of assistance is frequently put throughout the developing countries.

At the same time, food shipped as a donation rather than as a local currency or dollar sale provides the United States with a magnificent opportunity to help developing nations make inroads against the twin problems of malnutrition and undernutrition.

Of the 102 million people receiving U.S. food under the donation program, 82 million—81 percent—are children who receive either a daily

hot meal or an important nutritional supplement to the inadequate diets consumed in their homes. In this work AID relies strongly on American voluntary agencies approved and registered by its Advisory Committee on Voluntary Foreign Aid. For example, they distributed most of the more than 200 million pounds of a high-protein supplement blended of corn, soya and milk (CSM) shipped in the current fiscal year to 83 countries. AID spent about $3 million to blend the CSM and to add vitamins and minerals.

Donated food is also used in disaster relief.

Family Planning

AID assistance to voluntary family planning programs, though not yet large, is growing rapidly. AID financial commitments in the population field have more than tripled in two years, rising from $2.8 million in fiscal 1965 to an estimated $8.9 million in fiscal 1967. A total of 26 countries have received assistance thus far, ranging from a $4 million loan to Turkey to relatively minor assistance to other countries. A level of approximately $20 million is anticipated in fiscal 1968.

Within AID, a change important to effective assistance in this field occurred in fiscal 1967 when the central staff dealing with population matters was established as the Population Service in the Office of the War on Hunger. The arrangement will permit optimum coordination of approaches to the related problems of food supply and growing population. The Population Service staff is being increased to 28, including 17 professionals. This staff will help each of AID's four regional bureaus in development of population program assistance. These are the direct channels of assistance to developing countries. Moreover, each AID overseas mission has detailed a member of its staff to act as population officer.

AID's assistance to population control programs is varied and flexible. It responds to requests for financial and technical help in establishing or assisting the population programs of specific developing countries. This may consist of technical advice, assistance in training and provision of training resources, help in obtaining supplies and equipment, and furnishing of U.S.-owned local currencies for mutually agreed purposes. AID is also assisting several U.S. universities to expand their capacity for training of U.S. and foreign specialists in the population field.

In May 1967 AID removed ingredients and equipment for contraceptive manufacture as well as devices and oral contraceptives from the list of commodities ineligible for AID financing.

United Nations agencies, other international bodies, other developed countries and numerous private institutions are active in this area. AID's assistance is being carefully coordinated with theirs through development of an effective exchange of information.

Self-help is an important criterion for extension of American support to population control programs. But adoption of such a program is not itself a condition for other forms of assistance. AID does insist that any family

planning program it helps must allow each participant free choice as to method and that individual participation must be wholly and truly voluntary.

During fiscal 1967 AID had 12 contract or grant arrangements with private institutions, other government agencies, multinational establishments and voluntary organizations for a variety of research and training activities:

- The National Center for Health Statistics trains specialists from developing countries in maintenance of vital statistics while the Children's Bureau trains foreign nurses and midwives. The Bureau of the Census trains developing country officials in census techniques.
- The University of California performs demographic research and helps improve the quality and increase the number of demographers in Latin America. The University of Notre Dame is helping three Latin American institutions to set up new facilities and strengthen existing facilities for studying population dynamics and comparative family structures.
- The Pan American Health Organization is helping public health institutions in Brazil and Chile to establish research and training programs in population dynamics in relation to public health and medical care.
- The University of Hawaii is establishing a family planning training center. Both the University of North Carolina and Johns Hopkins University are developing training programs in family planning for doctors and public health workers.

Here are several examples illustrating how typical developing countries have helped themselves and how AID, upon request, has responded with relatively small but often important assistance:

Pakistan

Family planning has a budget equivalent to more than $60 million in Pakistan's third five-year plan. A Central Family Planning Council has been established under chairmanship of the Minister of Health and a Commissioner of Family Planning appointed. Immediate aim is to prevent five to six million births, reducing in five years the annual birth rate from 50 per thousand population to 40. The program is a mass activity whose services are available to all fertile Pakistani women, estimated to number 20 million. By late 1966 there were 31,000 persons trained in family planning and 22,000 outlets were selling seven million contraceptives a month. Over 250,000 intra-uterine devices have been inserted, 55,000 of them during November 1966.

AID provides technical help through a demographer and the Chief of the Health Division of its Pakistan mission. In fiscal 1966 it financed purchase of vehicles and mass communications equipment worth $500,000. In the

same year training in the United States was arranged for five specialists. The training of 50 more is being financed in fiscal 1967 as is a five-man advisory team of American experts. Help also has come from private American sources and from Sweden and Great Britain. Two forms of oral contraceptive tablets are among pharmaceutical items to be produced in Karachi by Searle Pakistan Ltd., a jointly-owned subsidiary of G. D. Searle & Co. of Chicago. In March 1967 AID lent the firm the equivalent of $168,000 in rupees which had been received in sale of American farm products under the Food for Freedom program.

Nigeria

Four family planning clinics have been established in Lagos, including one near the Lagos University Medical School. A pilot project for introduction of intra-uterine devices is operating at Ilesha in Western Nigeria while small clinics have been started at Ibadan, Ilesha, Enugu, Caduna and at several points in Eastern Nigeria. With help from the United Nations, the Federal Office of Statistics will try to ascertain the actual rate of population growth in the country.

In fiscal year 1968 AID plans to finance a study of Nigerian family planning progress. It is also discussing demographic and other help with Nigerian authorities.

Korea

In 1961 this country determined to act effectively to curb its population growth. Development of a National Family Planning Program began in February 1962 to help meet a goal of reducing the annual population growth rate from 2.9 to two percent by 1971. Funds were provided and a law prohibiting import of contraceptives was repealed. During 1964 family planning field workers were trained and assigned to every province and subprovincial unit while all forms of contraceptives were being produced within the country. Today there are 2,207 field workers, more than 1,100 intrauterine device clinics and some 700 clinics for vasectomy (male sterilization). There is a family planning field worker for every 4,500 persons in the fertile age group. A total of 11 mobile family planning units, using excess U.S. vehicles, travel about the country. AID help has consisted of providing local currency, surplus vehicles and financing of travel for Korean officials to observe family planning programs in other oriental countries. Other U.S. help has been requested. In addition, massive direct assistance to Korea has been provided by the Population Council while the International Planned Parenthood Federation has also contributed important consultative help. Further private help has also been supplied in various ways.

Allies in the War on Hunger

The War on Hunger is more than a number of bilateral programs carried on between the United States and individual developing countries in

need of food. Other developed nations and various international organizations are similiarly engaged on a cooperative basis.

AID's most direct operational involvement in multilateral action of this kind is with the World Food Program (WFP) of the United Nations Food and Agricultural Organization (FAO) in furnishing farm commodities and other support for coordinated projects in numerous countries.

The United States has also encouraged other nations to increase their contributions in the period 1966–68 by making its own pledges contingent on proportionate matching by others, both in commodities and cash. The possible U.S. share of the WFP "target" for the period is $92 million in commodities, $6 million in cash, and $32 million in shipping services to move American commodities overseas.

Aggregate pledges by other nations have been nearly double those of the 1963–65 period. As of December 1966, increased pledges had been made by 32 of the 71 pledging countries while 17 were pledging for the first time.

The United States also has been active in encouraging other international forums to give increased attention to food:

- At a Washington meeting in July 1966 the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) called for new action by member nations and determined that their food and agriculture programs and policies will be annually reviewed;
- In the OECD itself the United States has suggested study of a fund to guarantee private investment in such enterprises as fertilizer plants located in developing countries or to subsidize approved low-interest private loans for similar purposes;
- With U.S. support, the FAO has supplemented its technical assistance program with rising concentration on food resources and productivity;
- Within the General Agreement on Tariffs and Trade (GATT), the United States has led in working toward a multilateral food aid program as part of an international grains agreement encompassing all major wheat exporting and importing nations.

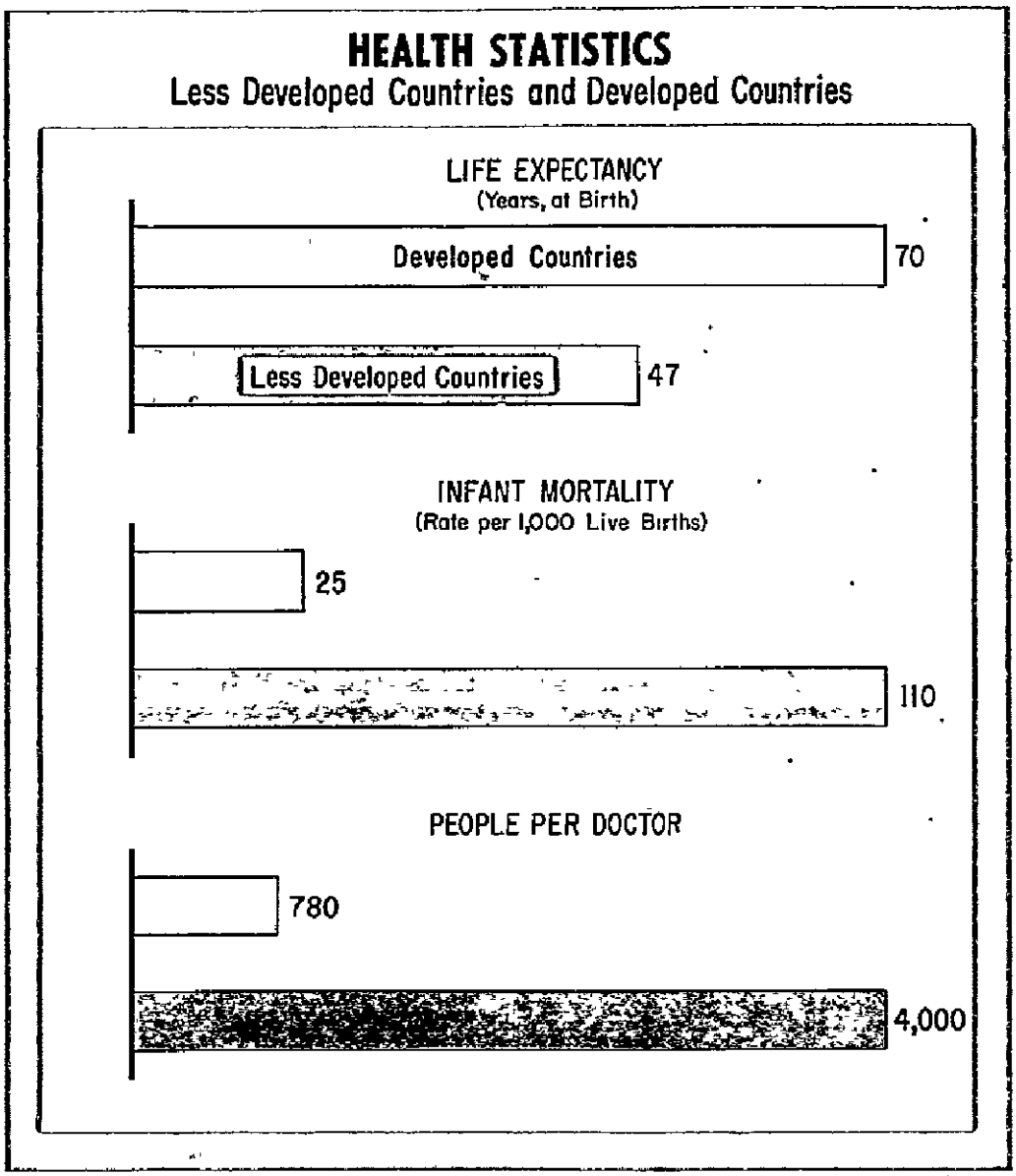
On other fronts, the World Bank has followed the AID example in according greater emphasis to agricultural sector assistance. Previously concentrating its agricultural lending on large infrastructure programs, such as irrigation, it is giving increasing attention to such matters as farm credit, grain storage and land settlement. Similarly, the Inter-American Development Bank is turning to greater lending for agriculture in Latin America, as evidenced by a series of pre-investment studies made during 1966 that will be the basis of future agricultural loans. As one of its first major actions, the

new Asian Development Bank is considering creation of a special fund to finance food production in East Asia.

HEALTH

Every American instinctively understands that good health and economic productivity go hand in hand. In the United States of 1967, more than 60 percent of the people live to an age of 65 or more, providing a sustained application of vigorous adult human resources to economic progress through the truly productive years.

But this was not always so. Eighty years ago only 14 percent, about one American in seven, lived as long. And in the developing world today life expectancy is often less than that. In a typical unhealthy population many children are fed, housed and educated only to die before making a contribution to the economy that supported them.



Yet early death in developing countries may in fact be less of a brake on economic growth than debilitating disease. Sickness that does not kill often creates permanent or recurring unproductivity while levying a "hidden tax" represented by the burden the sick and unproductive place upon an already weak economy.

Thus it is that AID is dramatically increasing what it does to help developing nations help themselves to health—and to the greater productivity and better life it makes possible. Specifically, AID proposes to devote a total of $202 million to health activities in fiscal year 1968 compared to $192 million in fiscal 1967 and $126 million in fiscal 1966, a rise in two years of 60 percent.

The total for fiscal 1968 includes $17.6 million in voluntary U.S. contributions to health activities of the United Nations Children's Fund (UNICEF), the World Health Organization, the Pan American Health Organization, The UN Relief and Works Agency for Palestine Refugees, and the UN Development Program.

AID also has further impact on health problems through medical supplies imported by developing countries under its financing, by provision of disaster relief, and by help to American schools and hospitals abroad engaged in medical training.

AID's programs in health have four broad objectives:

- To assist developing countries in the control and eradication of communicable disease;
- To help them find and train their own health workers;
- To help reduce and ultimately solve the problem of malnutrition, above all in mothers and children;
- To help, when asked, in establishing population control programs.

It is apparent that malnutrition and population problems are matters closely related to the broader War on Hunger for whose conduct AID recently made far-reaching changes in its own administrative structure. Programs in those fields were described and discussed in the preceding section.

Attacking Disease

AID proposes to commit $42 million in fiscal 1968 to its world-wide assistance to countries battling communicable diseases. The amount is five percent more than the estimated $40 million for fiscal 1967 and 17 percent higher than the $36 million allocated in fiscal 1966.

Measles and Smallpox

AID plans to apply $11.7 million in fiscal 1968 to maintain the momentum of a drive to bring measles under control in 19 West African countries

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by 1971 and to eliminate smallpox in the same area by 1975. Measles not only strikes down one afflicted child in five in West Africa but leaves many survivors permanently blind or deaf. Smallpox kills one in four of those striken.

AID estimates that vaccine it has supplied provided nearly six million inoculations against measles in Africa between fiscal years 1962 and 1967. It expects another 8.5 million inoculations to be given in fiscal 1968. In the African smallpox program, AID-supplied vaccine provided the protection of more than 16 million vaccinations in fiscal years 1966 and 1967. These accomplishments represent a good start toward the objective of immunizing 32 million West African children against measles and over 80 million children and adults against smallpox.

While most AID assistance in the fight against measles is concentrated in Africa, where a 45-member team from the U.S. Public Health Service financed by AID is centered in Lagos, Nigeria, its smallpox program operates on a global basis as part of a World Health Organization effort. In all, U.S. assistance will have played a part in achieving a world total of over 123 million smallpox vaccinations during fiscal 1967. In the previous year the figure was some 107 million.

Malaria

In fiscal 1968, AID proposes to contribute $28 million to programs, conducted jointly by the United States, other national governments, the World Health Organization and UNICEF, to continue rolling back the threat of malaria.

The worldwide campaign to control malaria began in the immediate postwar period but the drive to eradicate it dates from 1960. By the end of 1966 eradication had been accomplished in 34 of the 148 countries with a malaria problem and had brought protection to about 650 million people.

The bulk of AID support in this field is directed to eradicating malaria throughout the Western Hemisphere and in the Philippines, Thailand, India, Pakistan, Nepal, Jordan and Ethiopia. During fiscal 1967 the program operated in 15 countries to which three more, Panama, Costa Rica and Paraguay, are expected to be added in the year ahead.

The outstanding example of an American-supported malaria eradication program is India. Statistics compiled by the World Health Organization in January 1967 show that since 1960 the disease has been wiped out in areas where 291 million people live and brought under control in areas inhabited by 149 million.

Beyond the immediate and obvious benefit to human beings, the lifting of the menace of malaria is of direct relevance to the higher agricultural output that is the goal of the War on Hunger because it opens potentially productive land to farming.

Cholera

Evidence that cholera is on the march in Southeast Asia and is spreading in the Middle East led to AID support of programs to contain and defeat it. A proposed AID contribution of $500,000 for this purpose in fiscal 1968 will continue good work being done.

Particularly noteworthy is the SEATO Cholera Research Center in East Pakistan which has developed a high-potency vaccine now ready for field trials. Contracts are being let for quantity production and for testing on about 20,000 persons to be completed by 1970. Current low-potency vaccines give protection for about six months and have an effectiveness of 60 percent at best.

Meantime the Near East and South Asia cholera emergency plan put into effect in fiscal 1966 is in operation. It provided $2 million in low-potency vaccine and other supplies to epidemic areas in Iraq and Syria and is giving emergency assistance in Turkey. This will probably reach about $150,000 in fiscal 1968 to help finance vaccine, diagnostic centers, monitoring equipment and miscellaneous commodities.

Other Epidemic Diseases

Trypanosomiasis (sleeping sickness), schistosomiasis (snail fever), and onchocerciasis (river blindness), are three diseases that have far more severe economic effects on African populations than measles. AID intends to study each in selected African areas to determine feasibility of elimination programs.

Enteric Diseases

Supplies of drinkable water and adequate sewage disposal are the only effective and economic solutions to the problem of enteric diseases, a major cause of death in developing countries, resulting from contaminated water and poor sanitation. Thus in the last five years AID has devoted an average of $20 million annually, largely in development loans, to helping install or expand 56 community water supply systems in 37 countries. The $5 million it expects to commit for this purpose in fiscal 1968 will parallel support from the World Health Organization, the Pan American Health Organization and international lending agencies and banks.

Brazil's National Water Fund affords a good example of how AID assists with this problem. Its capital is an AID development loan from which Brazilian contractors borrow to purchase U.S. equipment used to build water facilities, repaying the fund in Brazilian cruzeiros. Sound planning and engineering, plus a substantial commitment by project sponsors, are prerequisites. AID also assists five centers that have trained nearly 1,200 Brazilian waterworks operators.

Established in April 1965, the fund had made 17 loans benefiting 1.5 million people by December 1966. Some 20 more were expected to be made

before July 1967 while 25 cities and towns were preparing applications. Further assistance to the fund is planned in fiscal 1968 through cruzeiros paid by private Brazilian purchasers of commodities being imported through an AID loan to the government. Help in administering the fund will be given through planned technical assistance worth $315,000.

Across the world in East Pakistan an AID development loan providing technical service to the Department of Public Health and Engineering is expected to enable that institution to operate on its own by 1970. Pakistan has engaged an American firm, Camp, Dresser & McKee of Boston, to develop plans, mount training programs, design water supply systems, and explore ground water resources. Objective is a Pakistani capacity to do these things without outside help and to develop as well a private industrial capability for producing needed materials and equipment within the country.

New potable water supply systems going into operation this year in AID-assisted countries will exceed 1,300, many of them simple installations in towns and villages. More than 6,000 properly designed new wells are adding to this program which altogether is benefiting 109 million people.

Developing Health Manpower

If health is a key to sound and rapid development, well-trained manpower is the key to effective public health systems. In the past 10 years AID's efforts in the health field have concentrated on higher medical education, facilities for producing a greater number of doctors and nurses in developing nations, and on hospital construction.

But the more critical immediate obstacle to rapid and significant improvement in health conditions is the shortage of auxiliary workers, of trained personnel below the professional level who are nonetheless sufficiently skilled to be effective, particularly in rural areas remote from cities and doctors. AID has shifted the emphasis of its assistance to help remove this obstacle, chiefly a problem in organizing and training on a scale commensurate with need. It is also acting to meet deficiencies in American institutional resources for giving the right kind of help.

In the spring of 1966, the Administrator of AID created an Advisory Committee on International Education of Health Manpower under chairmanship of Dr. James Dixon, president of Antioch College. And in fiscal 1968 AID expects to make the first grant designed to strengthen the capacity of U.S. institutions for helping solve health manpower problems in the developing world.

Meantime, programs in effect continue. A study made in Turkey by the Division of International Health of Johns Hopkins University, working under an AID contract effective since 1963, has led to a new national plan, involving innovations in medical training and functional redistribution of health workers. Similarly, actions following Johns Hopkins recommenda-

tions are expected in Peru and Taiwan, where the study preceded that country's "graduation" from AID assistance.

In Laos, health workers are receiving short-term training as medical aides and in practical skills enabling them to man health stations in remote rural areas. Mobile teams are an additional feature of similar programs in neighboring Thailand. In addition to providing basic health services, these workers also assist with better nutrition, family planning, and disease control through elementary sanitation.

In a worldwide basis in fiscal year 1966, more than 2,800 health workers were trained in AID-assisted facilities in developing nations. In fiscal 1967, however, this number is expected to exceed 4,600, a rise of 64 percent. Doctors and nurses trained wholly or partly with AID help will exceed 450 and 970, respectively, in this fiscal year, a slight rise above fiscal 1966.

Nearly 800 new health centers and sub-centers will have been completed in fiscal 1967 compared to 646 in the year before. All told, more than 11,000 have been established with AID help since 1962. New mobile units this year number 88 as against 21 in fiscal 1966. These facilities handle nearly 400,000 visits a year.

EDUCATION

In the simplest and most immediate sense the function of education in developing countries is to train vast numbers of people in the skills of nation-building in the shortest possible time. But in the longer view education is also the key to responsible democracy and enriched individual lives.

Yet in developing countries today there are more than 300 million children of school age who are not in school. The problem is growing as needs mount notwithstanding construction of more schools and training of more teachers. In India, for example, 40 million persons were taught to read and write in a recent 10-year period. When the drive ended, however, there were 11 million more illiterates than before as a result of population increases.

Even the relatively well developed of countries AID assists often have major school deficiencies in their rural areas. In Chile, for example, about 30 percent of rural children abandon school within the first two years and only 16 percent complete the sixth grade.

Statistics like these explain why education is considered by economic planners to be a key investment sector. It is why assistance of such an important multilateral assistance agency as the World Bank has turned recently to educational programs, lending more than $86 million for that purpose between 1962 and 1966. It is also why AID proposes in fiscal year 1968 to increase commitments to its educational programs to $250 million compared to an estimated $166 million in fiscal 1967 and $137 million in fiscal 1966, an increase in two years of about 82 percent.

In AID's case, education has long been a priority area of attention, in recent years accounting for the largest number of AID-financed technicians, about one in five, working in Asia, Africa and Latin America. Numbering nearly 1,300 in fiscal 1966, they strive to help develop basic education systems as well as programs needed to train the doctors, nurses, health workers, farm experts, engineers, public administrators, managers and other specialists required for successful development.

In earlier programs, AID directly hired most American technicians and educators assigned to school programs overseas. Today, however, four of every five such experts are staff members from American colleges and universities with which AID has contracts for technical assistance. Through some $219 million in such contracts, 127 U.S. colleges and universities play a role in technical assistance, including training of AID-sponsored foreign students. Teams from 74 of these institutions are at work in 39 countries.

The AID contribution can be measured in several ways, for example by the fact that more than 97,000 foreign technicians and professionals have come to this country under its auspices, or its predecessors', since 1949. In the same period some 19,000 were trained in other countries having suitable facilities. In fiscal 1966 alone there were 8,800 foreign trainees in the United States under AID auspices and about 2,000 in other nations. About half were enrolled in colleges and universities while the rest attended special training programs or seminars.

Colleges and schools established in developing countries with AID assistance have graduated more than 378,000 teachers who in many countries constitute a third or more of the teaching force. In Ethiopia they account for 70 percent of the nation's teachers, in Pakistan 35 percent, Korea 28 percent, Iran 45 percent, Costa Rica 34 percent, and Nepal 33 percent. Although the result is not susceptible of quantitative measurement, AID-financed American educators have helped many developing countries modernize and improve school curricula by relating subjects taught to special requirements for trained manpower.

During the past six years, 240,000 classrooms were constructed with AID help and in the present fiscal year more than 450,000 students attend developing country colleges and universities in whose establishment AID had a role. More than 200,000 more are in vocational, technical and normal schools similarly assisted.

Self-Help

In educational development, as in other kinds, the bulk of effort and financing must come from within assisted countries. Salaries, the cost of teaching materials, the expense of operating schools—all must be met from a country's educational budget. This is also true of school buildings and other capital investments for which, at most, a maximum contribution of five percent of cost can be expected from the United States or other aid donors.

In fact developing nations have striven to meet the challenge by assigning from 20 to 40 percent of their budgets to education. In 1966, for example, their combined budgets for educational purposes totaled about $8 billion, a rise of 15 percent over the prior year. Even so, per capita spending for education in the developing world averages only about $6 a year compared to well over $200 in the United States.

AID planners recognize that outside assistance can provide only a small margin of the resources that must be devoted to education. But relatively small contributions can be critical when, for example, an AID team persuades a developing country ministry to revise its curriculum, stimulates an important bit of research, trains teachers who in turn train more teachers, shows how school systems may be tailored to specific manpower needs, or points the way to better planning and more efficient use of scarce funds.

Fiscal Year 1968 Program

The $250 million program proposed to assist education in fiscal 1968 recognizes that development priorities in Latin America, Near East and South Asia, East Asia, and Africa demand rapid expansion of technical skills. For Africa, where many nations are newly-independent, the trained manpower shortage is particularly critical. And in Southeast Asia the hope for political stability is linked to the education of the rural populace.

AID programs focus primarily on educational planning and training of teachers although important efforts continue to be made toward improving the quality of existing systems, to adapting television to educational needs, to expanding higher education and to engaging private U.S. resources in assistance to education in the developing countries.

Manpower Planning

Educational planners in developing nations are pondering questions whose answers may have dramatic effect, for good or evil, on the rate of economic development 10 or 20 years hence. How fast must primary and secondary education grow to supply students to take advanced specialized training? And what are the long-range needs for engineers, agronomists, accountants, managers or midwives? How many teachers must be trained, at what levels and on what timetable?

Such questions require answering even as a country attacks the problem of illiteracy. In Latin America and East Asia about 60 percent of the population is literate. But in the Near East and South Asia and in Africa literacy runs at only 25 and 16 percent respectively.

Much of AID's effort in education is directed to helping developing nation planners find the right answers:

- Through contracts with Michigan State University and the Stanford Research Institute, AID assists Thailand's education ministry in developing national plans for

primary, secondary and higher education. AID has also supported an evaluation by Education and World Affairs of the scope and priority of educational programs in Nigeria. A similar study is planned in Ethiopia.

• Wisconsin State University at Stevens Point is under contract to AID to help modernize the education of Vietnam's 22,000 university students by relating courses to the economic and social needs of the country. Survey teams will recommend ways to improve curricula, strengthen professional and technical skills, and train teachers.

• AID has surveyed educational planning facilities in Chile, Peru and Guatemala with the assistance of the Council on Higher Education in the American Republics. During the past four years, AID has made it possible for more than 50 Latin Americans to attend educational planning seminars arranged by the United Nations Economic Commission for Latin America.

• A new multi-purpose secondary school is being organized in Laos under an AID contract with the University of Hawaii. Curricula will be adapted for extension to schools in the Laotian provinces.

• The University of Houston advises the Brazilian Government on university reforms in administration and instruction.

• In concert with the World Bank and the United Nations Economic, Social and Cultural Organization (UNESCO), AID planners have worked closely with Colombia's Ministry of Education. As a result, Colombia is considering reforms ranging from establishment of comprehensive secondary schools to major improvements in educational research. In Honduras, a planning office established with AID advice in the Education Ministry is surveying primary and secondary school systems.

• California educators are cooperating with Chile's educational planners in an AID-financed program to determine the manpower requirements of Chilean development goals and coordinate its training efforts. Ohio State University has an AID contract to assess the trained manpower needs of Ecuador and Bolivia.

• A team of U.S. experts will help Turkey train a Turkish cadre to help staff the new National Education Budget and Planning Department of the Turkish Ministry of Education, established with AID assistance.

• In Southeast Asia, the AID-sponsored second regional meeting of education ministers at Manila in

November 1966 resulted in establishment of a ministerial council and permanent secretariat as well as positive action on ten proposals for regional education. This includes special institutional centers in such fields as technology, agriculture, tropical medicine, science and mathematics, radio and television and preparation of teaching materials.

Teacher Training

A critical shortage of teachers and institutions to train them has prompted AID to increase assistance to teacher-training institutions. In fiscal 1968 it will also focus more attention on improving teaching techniques that "stretch" the services of teachers already at work.

AID also helps in other ways:

- A new AID contract with California's San Jose State College will provide advisors for two years to help teacher training programs in the Dominican Republic. Five normal schools and 57 secondary schools will be involved in this effort to improve curricula and methods and to increase the teacher supply. San Diego State College will assign 11 of its staff to a similar effort in Jamaica to improve primary and secondary teacher training.
- An AID-assisted survey in Nepal will determine how best to increase the supply of teachers for that country's rapidly expanding system of multi-purpose secondary schools. In Turkey, training programs for vocational and technical teachers are being reorganized and preservice training programs developed for prospective vocational and technical teachers under a contract with the American Vocational Association.
- Teacher training in Vietnam is being strengthened by a contract team from Southern Illinois University, with special attention to scientific and technical subjects, English language instruction and in-service programs. Vietnamese plans call for the training of 4,000 elementary teachers annually for the next three years and 1,200 secondary school teachers by 1968.
- Through contracts with California Polytechnic State College and Kent State University, a major training program is underway in Thailand to develop 20 technical high schools and train agricultural, trade and industrial teachers. Principal financing for this $22 million project will come from Thailand ($16 million) and the World Bank.

• The American Association of Colleges for Teacher Education is conducting an internship program for AID in the administration of teacher training colleges in the Philippines, Thailand, Nigeria and Kenya. The program provides for an exchange of the college presidents with those of American colleges.

• A consortium of 10 U.S. universities and the Board of Education of Washington County, Md., has been assisting some 200 Nigerian educational institutions, including four of the country's five universities, three of its advanced teachers colleges and 50 colleges training elementary school teachers.

Educational Radio and Television

Although most less developed nations now broadcast commercial television programs, the shortage or lack of audio-visual materials has prevented widespread use of television for educational purposes. Through a contract with the International Institute for Educational Planning, AID is studying whether American programming techniques are adaptable to the classroom needs of teacher-short rural areas in developing countries.

The experiences of Nigeria and Colombia have convinced AID's educational planners that television can be a valuable medium for bringing education to remote villages and understaffed urban classrooms. In Nigeria, AID-financed teams from the Board of Education of Washington County, Md.—pioneers in educational television—are helping improve and expand radio and television instruction and establish a permanent broadcast section in the Nigerian Department of Education. Colombia's educational television network, with AID's help, has extended special-subject courses to more than 400,000 children in 1,000 schools.

In fiscal 1968, other countries are expected to initiate educational television efforts with AID assistance. In addition, AID will participate in efforts to assess the potential of satellites for educational broadcasting.

Improving the Quality of Education

AID's efforts to relate courses taught in developing nations to their particular development needs include improvement of teaching methods as well as curricula. In-service training is being emphasized in school systems changing from traditional "rote" methods of teaching to techniques that encourage learning by doing. AID also has assisted extensively in preparation of books and other teaching materials.

Ten African countries now use a new series of mathematics and science texts developed with the help of American educators. The books include basic materials on health, nutrition and sanitation as they relate to African needs.

By financing imports of paper for the Philippines, AID helped publishers and printers of that country overcome a textbook shortage. As a result more than 27 million elementary and secondary school texts have been made available.

In Central America, some eight million texts have been published with AIDS' help. An AID loan to Ecuador will provide nearly two million books for school children, while U.S.-owned Brazilian funds will be used to print and distribute free texts throughout Brazil's school system.

AID has also helped establish regional centers for translating, publishing and distributing textbooks.

Since English is often a secondary language in countries where more than one local language is spoken, AID has developed a self-teaching system of English instruction that includes workbooks, films, sound tapes and master cards. Prepared by U.S. specialists under contract to AID, the system cuts the time needed to train English language teachers from two years to about four months. Nineteen AID missions initiated or expanded English language teaching programs in fiscal 1967.

Higher Education

The steady expansion, through U.S. assistance, of excellent centers of higher education in East Asia and the Near East and South Asia has increased the regional capacity for training technicians and professionals. This, in turn, has reduced the necessity for bringing students from those areas to the United States.

- Grants to the American University of Beirut under AID's program for American schools and hospitals abroad have helped the Lebanese university expand into a major training center for African and Middle Eastern students. About 650 students from African and Middle Eastern countries study there every year under AID scholarships.
- The Graduate School of Public Administration of Thammasat University in Thailand, established with help from the University of Indiana on contract with AID, is now accepting students from neighboring countries.
- The Indian Institute of Technology has modernized its research and training facilities with the help of an AID-financed consortium of nine American universities. The Indian program includes an exchange of faculty members to permit Indian scientists to complete advanced study in the United States.
- AID's scholarship programs continue to finance the U.S. studies of graduate students from countries lacking their own training facilities. The Latin American Scholarship Program has brought 150 graduate students to the United States for advanced studies. More than 1,300

African graduate students have studied in the United States under the African Scholarship Program of American Universities.

Encouraging Non-Governmental Education Assistance

Some of the most imaginative programs of educational assistance, particularly in the fields of literacy and rural development, are being carried out by private American groups and organizations at work in the less developed countries.

American voluntary agencies registered with AID, working with counterparts in developing countries, place increased emphasis on community self-help programs designed to make villagers literate and teach them basic skills needed to establish rural industries.

To encourage such programs, AID makes available at minimum cost a wide variety of excess government equipment such as jeeps, machinery for vocational training schools, printing equipment for texts and pamphlets, and radio and television equipment for educational programs.

Food is available under the Food for Freedom program for use as an incentive or partial wages in self-help school construction programs carried out under the leadership of private voluntary agencies.

In cooperation with the Peace Corps, voluntary agencies, and citizen organizations in the less-developed countries, AID also encourages "school-to-school" assistance, through which American Parent-Teacher Associations and other private groups work directly with local communities overseas to help build new classrooms and improve equipment and teaching materials.

IV. COOPERATION FOR DEVELOPMENT

The developed countries of the free world have uniformly determined that economic assistance to developing nations is an essential part of foreign policy.

Although most of their aid programs are primarily bilateral—a matter between donor and recipient countries—they increasingly work in concert, whether through coordination of bilateral aid, contributions to international assistance agencies, or a variety of other means.

At the same time, developing nations cooperate among themselves, recognizing as they increasingly do that integrated joint action brings more rapid and rational economic improvement than if each went its own way, particularly where cooperating countries share the resources of a natural geographic region.

This chapter deals with trends in multilateral assistance and coordination, with the extent to which other nations share the total assistance burden with the United States, and with the widening acceptance in the developing world of the principle of regional development and economic integration. Its common theme is international cooperation for development and the American role in advancing it.

MULTILATERAL INSTITUTIONS AND ARRANGEMENTS

Development assistance is provided in a multilateral framework by the developed nations, either through coordination of their bilateral programs or through support of international agencies which themselves allocate the resources supplied by contributing members.

The United States has consistently demonstrated its confidence in the multilateral principle and in both kinds of multilateral activities. It has done so in public statements of its high officials, in actions supporting existing organizations, and in leadership that has expanded their role while helping create new institutions.

In recent years the proportion of free world assistance provided through multilateral means has risen markedly as their advantages have been recognized. These include a more equitable sharing of costs, more efficient use of available resources, more realistic assessment of developing country needs, and greater effectiveness in inducing better performance by recipients. In

fiscal year 1968, AID plans that about 85 percent of its Development Loans, excluding the Alliance for Progress, be committed in a multilateral framework, a total of $751 million. All Alliance funds are committed in a multilateral framework under the auspices of the Inter-American Committee for the Alliance for Progress (CIAP).

Illustrations of the spread of the multilateral concept since 1961 include:

- A 58 percent rise in commitments by multilateral agencies from $1.2 billion in 1961 to $1.9 billion in 1965, a period when bilateral assistance did not increase appreciably; in 1966 multilateral agencies committed $2.2 billion for an 83 percent rise over 1961;
- Commencement of lending operations by the International Development Association (IDA), an affiliate of the International Bank for Reconstruction and Development (World Bank), that by 1966 exceeded $450 million annually;
- Start of lending by the Inter-American Development Bank (IDB) whose annual loan total is now more than $350 million;
- Establishment of regional development banks for Africa and Asia;
- Creation of consultative groups coordinating aid to nine developing countries and of formal consortia whose members pledge to assist in financing the developmental needs of Turkey and Greece; consortia for India and Pakistan were formed before 1961.

Multilateral Coordination of Development Aid

AID supports and encourages multilateral consultation that improves and harmonizes policies of aid-giving countries and institutions in such a way as to apply them more effectively in a given situation. In particular, this has meant greater use of multilateral coordinating mechanisms such as consortia and consultative groups for specific countries.

Since 1965, this policy has resulted in a number of important actions:

- New consultative groups have been established under World Bank auspices for Thailand, Peru, Korea, Morocco, and Malaysia, although AID has no programs in the last country;
- Multilateral meetings have been held to provide emergency assistance or debt relief to Ceylon, Ghana and Indonesia;
- AID has made its commitments in Latin America contingent on annual review findings of the Inter-Ameri-

can Committee for the Alliance for Progress (CIAP), a body largely composed of representatives of Latin American nations;

- In Africa AID has begun application of a policy that will reduce countries receiving bilateral development to 10 while emphasizing multilateral arrangements and coordination throughout that continent (see Africa chapter for detail).

Development Assistance Committee (DAC)

The major international mechanism for the general coordination of free world economic assistance policy is DAC, an element of the Organization for Economic Cooperation and Development (OECD) that itself is an outgrowth of the Marshall Plan. It provides a forum for consultation and initiative, for the pooling and reporting of experience and for coordination of general aid policy and practice.

Based in Paris, DAC meets frequently while its "working groups" deliberate on subjects ranging from loan terms to agricultural assistance. Its members variously participate in multilateral arrangements conceived to assist particular countries or regions. They include Australia, Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, Great Britain, the United States and the Commission of the European Economic Community (Common Market).

Consortia

The World Bank has established consortia for India and Pakistan while OECD has established them for Turkey and Greece. AID is an active partner in all but the consortium for Greece, where it no longer has a program.

Composed of up to 16 donor countries and institutions, consortia meet regularly under chairmanship of their sponsors to review foreign exchange needs of recipients, assess development plans and performance, and pledge assistance to meet development finance requirements. The India consortium pledged more than $6 billion for India's Third Five Year Plan and the first year of its Fourth Plan, with the United States' share coming to 42 percent. The Pakistan consortium pledged over $2.5 billion for the last four years of that country's Second Plan and the first two years of its third; the American share was 47 percent. The United States provided 44 percent of the Turkey consortium's pledges of $1.2 billion in the period 1963–66.

Both the World Bank and OECD provide significant analysis and evaluation of recipient country performance, supplying information helpful to donors, particularly the smaller ones, in making assistance decisions. A further advantage of consortia is assurance to recipients of a fairly high and

stable level of assistance to help meet foreign exchange costs of development. Consortia have also proved increasingly effective in relating aid to self-help.

The United States has acted recently to add a new dimension—food assistance—to the India consortium. The objective is to induce other members to provide agricultural assistance in various forms in addition to normal financial help in order that this country not bear a disproportionate share of the effort to solve India's food problem.

Consultative Groups

Although they are similar to consortia in function, consultative groups differ in that they do not impose an obligation to provide formal, periodic pledges of assistance. They have been established by the World Bank for Nigeria, Colombia, Tunisia, Sudan, Thailand, Malaysia (no AID program), Morocco, Peru and Korea. The Inter-American Development Bank has also established a group for Ecuador.

AID is hopeful that groups will be established for other countries, including the Philippines.

With AID approval and encouragement, such groups are increasingly giving critical examination to total development programs rather than simply focusing on specific projects as in the past.

Other Coordination Arrangements

The Colombo Plan is a regional multilateral consultative arrangement providing a framework for examination and comparison of country development plans, discussion of needs and priorities and facilitation of bilateral assistance, in some cases between developing countries themselves. Its 24-nation membership includes most countries of South and Southeast Asia plus the United States, Great Britain, Canada, Australia, New Zealand and Japan.

The Inter-American Committee for the Alliance for Progress (CIAP) provides valuable guidance in assistance to Latin America. Under specific statutory authority, AID Alliance for Progress loans must be consistent with CIAP views.

The World Bank has sponsored several meetings to consider the special and immediate aid needs of Ceylon. DAC has established a group coordinating technical assistance in Thailand and another to do likewise in Liberia. Other meetings have considered debt rescheduling problems of Argentina, Brazil, Chile, Ghana and Indonesia in close consultation with the International Monetary Fund. The United States has proposed that the World Bank, in cooperation with other aid-giving countries and institutions, develop new machinery to coordinate basic regional development in Africa.

Specific major projects have also been the object of coordinated multilateral attention. For example, the consultative group for Nigeria obtained financing from Italy, the Netherlands, Great Britain, the United States and the World Bank to meet $140 million in foreign exchange costs of the Niger

Dam. Similarly, France, Germany, Italy, the United States, the European Investment Bank of the EEC, plus the World Bank and its IDA affiliate, raised $135 million to help build the Keban Dam in Turkey. The Trans-Cameroon Railway and a road program in Ecuador have been comparably assisted.

Regional development funds support projects embracing several developing countries. One of the largest is the Indus Basin Development Fund, to which AID expects to contribute $25.5 million in fiscal 1968, administered by the World Bank and financed by seven countries and the bank itself. Its resources, totaling more than $1 billion, finance projects in Pakistan to replace water diverted for Indian use under the 1960 Indus Waters Treaty. A like arrangement supports the Nam Ngum Development Fund which will finance hydroelectric facilities serving Laos and Thailand.

Multilateral Institutions

Multilateral institutions, of which there are many types, are broadly defined as those which themselves allocate the resources supplied by subscribers. Their programs are carried out by their own international staffs rather than by representatives of donor countries as such. Some of these institutions are global in scope while others are regional. Some chiefly provide capital assistance while others concentrate on technical assistance. They play a major role in assisting developing countries but are not yet capable of meeting all assistance needs. The United States supports multilateral institutions, takes their programs into account in designing its own, and has consistently expressed readiness to provide more assistance through such channels if other countries do likewise.

The World Bank "Family"

The largest multilateral aid institution is the World Bank with its two affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC). With more than 100 subscribing member countries, they provide more than $1 billion in assistance annually, primarily in loans for electric power, transport, industry and, more recently, agriculture and education. The group also makes available a variety of such technical services as economic analysis, research and administrative training. IDA alone, however, provides aid on "soft" terms.

In the past the United States has contributed about 40 percent of IDA's annual replenishment of $250 million. But IDA resources are virtually exhausted and major replenishment is under discussion, with the United States committed to subscribing its fair share consistent with balance of payments policy. These funds are provided separately from AID appropriations although such major AID recipient countries as India, Pakistan, Brazil, Chile, Colombia and Nigeria are among those that have been most generously assisted by World Bank-IDA loans.

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Inter-American Development Bank (IDB)

As an agency of 19 Latin American nations and the United States, the IDB provides both capital and technical assistance in Latin America. It does so on relatively conventional terms using its ordinary capital resources, which are derived mostly from borrowing, and on "softer" terms using its Fund for Special Operations, which depends entirely on member contributions. Total IDB commitments from these sources have been $1.4 billion and are expected to rise at a rate requiring further capital. Canada and Great Britain have placed funds under IDB administration while Canada and the Netherlands have made funds available to finance Latin American projects in consultation with it. Other non-member countries also cooperate with the IDB.

United Nations Development Program (UNDP)

The United States makes voluntary contributions to UN technical assistance and relief agencies from funds appropriated to AID. The chief UN multilateral aid agency is the UNDP, which conducts pre-investment surveys, establishes training and research institutions, and provides technical advice in a large number of developing nations. The U.S. contribution to a program spending over $200 million annually is limited by law to 40 percent. In fiscal 1968 it is expected to be $75 million. The United States has proposed exploring with the UNDP the manner in which AID Technical Assistance funds might be used as "funds-in-trust" by UNDP, for comparable purposes to be designated by this country. AID is particularly interested in this mechanism to support activities in agriculture and education in Africa.

African and Asian Development Banks

The African Development Bank opened in July 1966 with a membership of 29 African countries and is now acquiring subscribed capital of $250 million. AID will support the bank through provision of expert personnel and financing of studies of possible loan projects. A U.S. contribution, however, would be the subject of a special request to the Congress.

Opened in December 1966, with headquarters in Manila, the Asian Development Bank has 19 Asian and 13 non-Asian members; its subscribed capital is $1 billion of which the U.S. share is $200 million, the same as Japan's. Significantly, about two-thirds of the bank's capital is from Asian countries. The bank seeks additional capital to establish a special fund for "soft" assistance and the United States has indicated a willingness to contribute on a shared basis with appropriate balance-of-payments safeguards.

European Economic Agencies

The European Economic Community (Common Market) administers the European Development Fund and the European Investment Bank in order to assist developing countries and territories associated with the com-

munity. The fund has committed over $700 million to African states, largely in grants, while the bank has lent about $140 million to African countries, Greece and Turkey.

EFFORTS OF OTHERS

The principle that developed nations must assist developing nations to achieve sound and sustained economic growth has gained general acceptance in the free world. In 1965, the last calendar year for which complete data are available, net free world public aid to developing nations was $6.3 billion of which the United States contributed its fair share of $3.7 billion or 60 percent, including not only AID programs but Food for Peace, long-term loans of the Export-Import Bank, Peace Corps activities and subscriptions to international agencies.

In short, many nations are meeting their responsibilities. Like the United States they do so in proportion to their capacities and in the light of their own internal and external problems, ranging from balance of payments deficits to low per capita income. Indeed, on a relative basis, some exceed the efforts of the United States whose contribution must be considered against the background of global defense commitments and balance of payments difficulties.

A number of facts give perspective on the extent of burden sharing among free world developed countries:

- Several, including France and Belgium, devote a larger share of their income to foreign assistance than the United States;
- Five countries provide loans on more generous terms, among them Denmark, Canada and Great Britain, which makes some loans without interest;
- Seven donors provide a higher percentage of aid on a grant basis;
- Other donors provide or finance more than 75 percent of experts and volunteers working in developing countries.

The United States exerted its leadership to bring about this recognition of responsibilities and is exerting it still as to volume of aid, the terms on which it is offered, and uses to which it is put.

A particular problem has been the increasing burden on developing countries that is involved in servicing public and publicly guaranteed debt, a burden that rose from $1 billion annually in 1955 to $3.5 billion in 1965. This means that to maintain an adequate net flow of resources that may be applied to development, higher aid commitments are needed and on more generous terms as to charges and maturity dates.

But if the United States is to have success in encouraging others to improve their loan terms it is important that it not further harden its own,

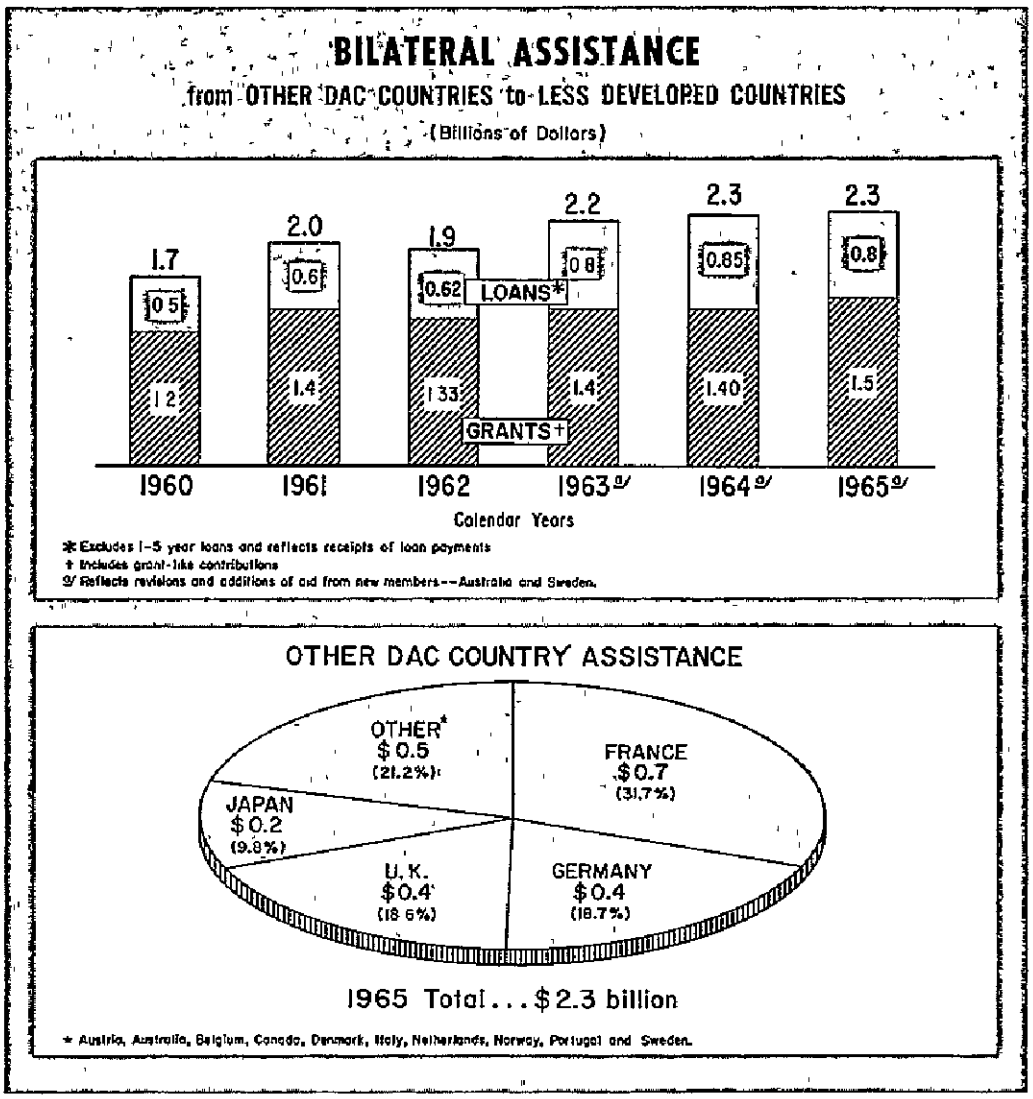
which at one time were the "softest" available. Since 1963, amendments to the Foreign Assistance Act under which AID functions raised minimum annual interest from ¾ of one percent to 2½ percent and added a one percent charge during grace periods when no principal repayment is required.

Other Country Programs

Of the $6.3 billion in public aid provided by members of the Development Assistance Committee (DAC) in calendar 1965, these were the proportional contributions in rounded percentages: United States—60 percent; France, Germany, Great Britain and Japan—31 percent; Canada, Australia and Belgium—six percent; Austria, Denmark, Italy, Netherlands, Norway, Portugal and Sweden—four percent.

France

Total French aid—public and private—was $757 million in calendar 1965, second only to the U.S. total. Most of this assistance was provided in



grants to countries in Africa formerly under French administration. About 45 percent of French aid is in technical assistance, for the most part financing services of administrators, teachers, etc., in formerly French areas.

Great Britain

The British, who have been improving the terms of aid, furnished $414 million in assistance during calendar 1965, of which $300 million was in grants and $73 million in interest-free loans. About half of British aid goes to British Commonwealth countries in sub-Saharan Africa.

Germany

The Federal Republic provided aid of about $427 million in calendar 1965, about 60 percent of it in loans whose terms are becoming more generous.

Japan

In calendar 1965, Japan's aid flow doubled to $244 million and much larger amounts are expected to follow as that country's initiatives in Asian assistance, including a subscription to the Asian Development Bank that equalled the American share, take effect. Japan's loan terms are "hard" but are expected to improve following a 3.5 percent loan to Korea in connection with a 1965 settlement with that country.

REGIONALISM

The case for regionalism as a key to more rapid economic development was stated by President Johnson in his Foreign Aid Message to the Congress:

> "Resources know no national boundaries. Rivers flow through many countries, transportation and communication networks serve different peoples, sources of electric power must be shared by neighbors. Economic advance in every part of the world has required joint enterprise to develop shared sources of wealth."

The President accordingly proposed that the United States "encourage regional economic development to the maximum extent consistent with the economic and political realities of each region."

These realities in fact pose genuine obstacles to regional cooperation and achievement. Most developing countries concentrate on development of their own economic, social and political institutions. Moreover, the growth of regionalism is inhibited by inertia, lack of experience, political differences, economic and cultural diversity, and especially by deep-seated reluctance to compromise national sovereignty and the fear that benefits of regional cooperation will be unequally distributed.

Nevertheless these obstacles have not prevented real accomplishment in application of regional principles by developing countries in recent years or the growth of enthusiasm which promises greater progress of the kind envisioned by the President. The following are highlights:

- In Latin American the Alliance for Progress and the Inter-American Committee for the Alliance for Progress (CIAP) have developed increasing cooperation in solving common problems, a process that took on a new dimension with the decision of the Punta del Este "summit" conference in April 1967 to develop a common market for all Latin America; five Central American countries already are operating such a common market;
- The Asian Development Bank has accelerated efforts to create a cooperative political and economic order in Southeast Asia;
- The African Development Bank has been conceived, founded and capitalized entirely by Africans.

In fiscal year 1968 the AID program will give strong support to regional efforts, primarily in East Asia, Latin America, and in Africa, where a new assistance policy will mean that about 29 percent of Technical Assistance funds ($27 million) supports regional activities. Detailed discussion of regional programs will be found in chapters on the Alliance for Progress, Near East and South Asia, East Asia, and Africa.

V. PRIVATE RESOURCES FOR DEVELOPMENT

Those countries that are developing most rapidly—in rising per capita incomes and strengthened institutions—are those where government policies, investment of savings and external assistance have combined to bring the creative forces of private initiative into full play.

Taiwan, Israel, Greece and more recently Pakistan and Korea are examples. Specifics vary widely but a dramatic surge in productivity, stemming from operation of factors basic to any good climate for local and foreign investment, is common to all.

Imperative to such a climate are sound legislation and wise government whose policies—on taxes and revenue, on money and credit, on imports, prices and wages—support rather than inhibit private initiative.

The vigorous functioning of private institutions—labor organizations, cooperatives, business groups—is another essential characteristic. So is availability of skilled workers and responsible managers, and of medium- and long-term credit at reasonable interest.

Awareness that all this is so underlies the objectives and methods of AID's programs of direct assistance in developing nations, namely loans and the provision of technical advice through which it consciously attempts to generate, shape and strengthen the prerequisites of a satisfactory climate for investment.

It has equally sharpened AID's appreciation of how it can encourage and assist Americans outside the federal government—in private businesses, non-profit organizations, even state and local governments—to the widest possible participation in development. Here AID's role is largely catalytic—that of a helpful agent—in stimulating the vital contribution that U.S. private resources can make.

Information services, investment insurance, guaranties, loans—all are used to encourage responsible private American investment. Other AID efforts help broaden the development contribution of groups organized on a non-profit basis.

In March 1967, AID established the Office of Private Resources to improve the agency's relations with the private community and to assist it to play a wider role in the common task. Within the new office a Private Investment Center was created to administer AID's investment incentive pro-

grams and serve as a single point of contact for present and future private American investors in the developing world.

Formation in March 1967 of the International Private Investment Advisory Council, as contemplated by the Foreign Assistance Act governing AID operations, provided AID with a new and valuable source of advice and guidance in its efforts to increase investment in developing countries. Council membership includes Alfred C. Neal, President, Committee for Economic Development; W. P. Gullander, President, National Association of Manufacturers; Robert M. Norris, President, National Foreign Trade Council, Inc.; H. Bruce Palmer, President, National Industrial Conference Board; M. A. Wright, President, U.S. Chamber of Commerce; and Christopher H. Phillips, President, U.S. Council of the International Chamber of Commerce.

HELPING PRIVATE ENTERPRISE OVERSEAS

Much of AID's lending aims directly at strengthening private enterprise in developing countries, is conditioned on measures to the same end taken by nations being helped, or has important and intended indirect effect in the private sector.

So-called program loans finance a wide range of development commodities procured in the United States and ultimately distributed overseas through private channels, the $132 million loan to India authorized in April 1967 being one example and a $70 million loan to Turkey in fiscal year 1966 being another. Such loans are increasingly contingent on basic reforms, for example in import and licensing procedures, that give private farmers or businessmen access to what they need. A $50 million fertilizer loan to India in fiscal 1966 applied the same principle to the agricultural sector of the Indian economy.

On the other hand a fiscal 1966 loan of $5.8 million to help expand a private nylon filament plant in Korea illustrates how AID pinpoints its lending to specific private projects. Similarly, a fiscal 1966 project loan of $18.6 million to help the Korean National Railways acquire American locomotives will clearly benefit the private sector by improving its means of moving goods. An $8 million fiscal 1966 loan to the government-owned Ethiopian Investment Corporation is being relent to private enterprisers establishing or expanding their business. In Bolivia a $2.1 million loan made in fiscal 1966 provides a new source of long-term capital to businessmen and farmers.

Technical assistance, meaning AID-financed American advisors who themselves often are drawn from private enterprise, is particularly effective in encouraging private sector growth overseas. Relevant examples include:

- Helping Korean industrialists expand exports by better quality control or establishing a productivity and investment center in Paraguay;

- Developing indigenous small industries in Nigeria or assisting the Chilean private sector to take part in national planning;
- Stimulating democratically oriented labor unions in Latin America and Africa;
- Assisting Brazil to draft comprehensive capital markets legislation or developing a modern graduate school of business administration in Peru;
- Establishment in the United States of an Inter-American Investment Promotion Center, a clearinghouse for investment opportunities generated by Latin American industrial development organizations where sponsors and potential investors may meet face-to-face.

Private American organizations also play a particularly prominent role in helping developing countries profit from the U.S. experience with cooperative endeavors—credit unions, cooperatives for farm credit or marketing, rural electric cooperatives, savings and loan institutions. For this purpose AID has worldwide agreements with Credit Union National Association, Farmers Union International Assistance Corporation, Foundation for Cooperative Housing, Cooperative League of the USA, International Cooperative Development Association, National Rural Electric Cooperative Association, National League of Insured Savings Associations, and the International Cooperative Training Center of the University of Wisconsin.

These organizations supply about two-thirds of the 357 advisors and consultants working on AID-assisted cooperative development projects in 54 countries. In fiscal year 1966, AID assistance had affected 30,000 cooperatives and credit institutions with 9.8 million members in 46 countries. In that year alone, 2,500 new cooperatives with 500,000 members were organized, mostly for agricultural purposes. Through its contract arrangements, AID is involved with all major national, regional and local cooperative organizations in the United States.

In fiscal year 1968, AID plans two innovations in its attempt to strengthen private enterprise in developing countries and make better use of private American capabilities:

- In cooperation with private business it will study use of cost-plus-incentive-fee contracts as a means of inducing investment in situations where growth is critical but risks are higher than usual. Specific authority for this type of activity, which is particularly applicable to the War on Hunger, was provided in the Foreign Assistance Act of 1966.
- On a test basis AID will employ firms from private industry to make "systems analysis" studies of economic development problems.

In carrying out its programs of direct assistance, AID financing increasingly flows to private American suppliers of goods and services. The impact of AID programs on the U.S. economy is discussed in Chapter VI.

AID AS A CATALYST

AID recognizes that the American private community—its non-profit organizations no less than its businesses and industries—has a large and unique contribution to make to sound growth of developing nations. AID encourages and assists this process in a variety of ways.

In the case of business and industry, the American private contributions to overseas development are an investment in the usual commercial sense and in peace and security as well. But they remain disappointingly small, notwithstanding that the volume of American investment in developing countries is growing, notably in manufacturing.

Direct American investment in manufacturing in developing countries rose from $262 million in 1962 to $461 million in 1965. In Western Europe, on the other hand, the respective totals were $1 billion and $1.2 billion. The contrast in figures is only one measure of the problem AID is trying to help solve. Equally important are the technologies and skills that American firms transmit to countries in which they invest.

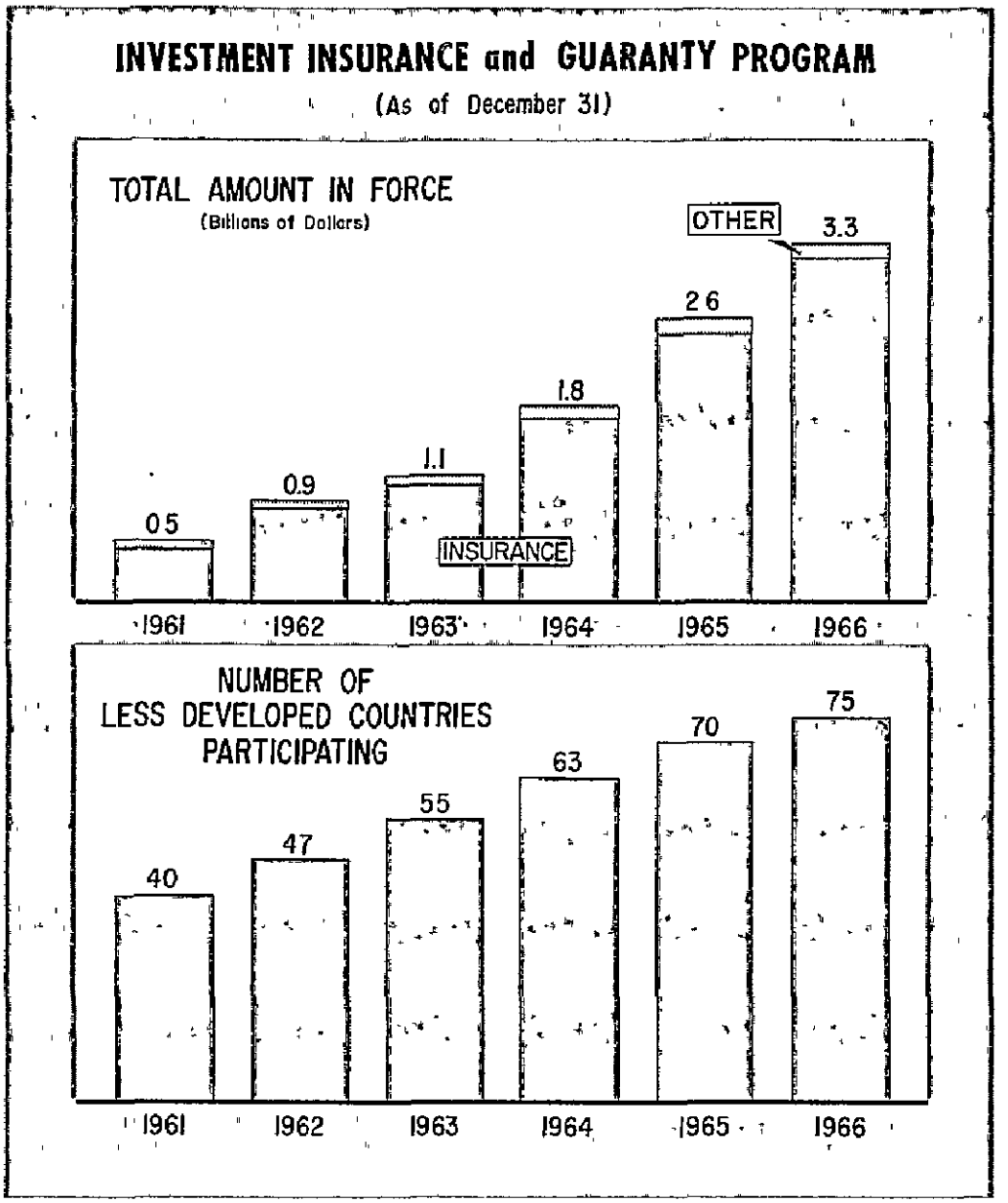
AID's focal point for serving potential investors is the Private Investment Center established in the Office of Private Resources. It offers the following services:

Information

A Businessmen's Information Service is the central inquiry office for business firms and possible investors. The index of AID's *Catalog of Investment Information and Opportunities,* already supplied to nearly 48,000 organizations, firms and individuals, is also available. It covers over 1,600 data and feasibility studies as well as current opportunities for joint ventures with developing country investors. A special supplement on Southeast Asia was issued in July 1966. In addition, 250 *Industry Profiles,* each giving basic information on establishment of small or medium-sized plants in specific industries, are distributed.

Investment Surveys

AID helps meet the problem of high-cost pre-investment feasibility and market studies through an arrangement permitting it to pay for up to half such a survey's cost if the investment studied is not made. Of 111 surveys completed by April 1, 1967, there were 31 that resulted in planned investment of a total of $70 million. Cost, in terms of appropriated funds obligated to pay the AID share of surveys that did not lead to an investment decision, was $1 for each $90 in investment. AID is asking congressional authority



to increase the survey cost share for which it may reimburse a potential investor who fails to invest in cases where the survey is particularly important to AID objectives.

Specific Risk Insurance

AID may insure investors in developing countries against political risks of expropriation, inconvertibility, and damage due to war, revolution and insurrection. This program was in operation in 75 countries as of December 31, 1966, compared to 40 countries five years earlier. In the same period outstanding coverage rose from $479 million to $3.1 billion, in 1966 alone covering a total of $205 million in new investment. A 1966 reduction in fees for this service saved investors about $3 million in that year alone. Fees

received in 1966 amounted to $8.3 million while three claims totaling $217,000 were paid, two for inconvertibility, one for revolution damage. AID is requesting increased authority for investment insurance ($1 billion for each of the next two years) as well as authority to expand war damage coverage to include "civil strife."

Equity Insurance

A new equity insurance program provides "all risk" coverage of up to half of any loss of equity investment realized through bankruptcy or sale.

Extended Risk Guaranties

Under this program, AID may protect 75 percent of investments against loss for any reason (excluding risks for which commercial insurance is available) not due to investor fraud or misconduct. As of December 31, 1966, AID had thus guaranteed part of the financing of eight projects with coverage totaling $55 million, compared to four projects with $14 million coverage a year earlier. The eight projects include a petrochemical plant in Argentina, a carbon black plant in Colombia, a fish packing plant in Somalia, fertilizer plants in Korea, India and Brazil, a hotel in Nicaragua and a pulp and paper mill in Thailand. Total investment in these will be $310 million. AID has used its Extended Risk Guaranty Program to attract long-term credit financing from American institutional lenders such as pension funds and insurance companies.

Housing Guaranties

In Latin America, housing guaranties totaling $200 million had been authorized for 37 projects in 14 countries as of December 1966. Of these, 22 involving 21,000 dwelling units have been completed or are under construction. Other examples are found in the Republic of China (Taiwan) where a $5 million guaranty covers construction of some 1,400 units and in Thailand and Tunisia where guaranties of the same value cover 817 and 700 units respectively.

Loans to American Firms

AID may lend U.S.-owned foreign currencies, proceeds of sales of Food for Freedom commodities, to American firms and their affiliates. During calendar 1966 it authorized 41 of these loans (called "Cooley loans" after the Congressman who sponsored legislation) in 15 countries for a total equivalent to $42.6 million. Pharmaceuticals in Greece, foodstuffs in Israel, animal feed in Sudan and Peru, polyethylene in Taiwan, integrated electronic circuits in Korea, and development banking facilities in Pakistan were among typical loan beneficiaries. AID also lends dollars to private American and local ventures in developing countries, but has mostly done so for large projects.

HELPING NON-PROFIT GROUPS

The contribution to development of private non-profit organizations is significant, approaching $750 million annually. It embraces humanitarian programs, including emergency relief, and technical assistance. The latter, however, has received increasing emphasis in recent years. AID continues a mutually helpful relationship with such groups that is nearly as old as the foreign aid program itself. Indeed, many of these organizations have been in the "aid business" longer than the government.

Voluntary Agencies

Voluntary agencies, a traditional American source of help to peoples overseas, committed more than $400 million to assist developing countries in fiscal year 1966. AID assists the 67 voluntary agencies registered with its Advisory Committee on Voluntary Foreign Aid in a number of ways.

In fiscal 1966, AID paid $5.5 for the ocean shipping cost of about $65 million in privately donated supplies sent overseas by such non-profit voluntary organizations as Church World Service, Catholic Relief Services, American Jewish Joint Distribution Committee, CARE and the like. In fiscal 1968 it is budgeting $6.3 million for this purpose.

Registered agencies also are eligible to receive American agricultural commodities under the Food for Freedom program. In fiscal 1966 these supplies reached 72 million persons of whom 36 million were children fed through school lunch programs. Ocean shipping costs also are paid in this case.

Similarly, voluntary agencies may purchase at 15 percent of original costs to the government a variety of excess property whose shipment to ports in the countries where it will be used is also paid by AID. This material, often tools, vehicles, medical instruments or laboratory equipment, is used in vocational training, community development and for other developmental purposes. In fiscal 1966 purchase of about $13.5 million in such supplies was authorized for 10 voluntary agencies.

Disaster relief is a traditional function of voluntary agencies and in fiscal 1966 they distributed $1.6 million in supplies that included Public Law 480 commodities, tents, clothing, blankets, medicines and other items.

The Technical Assistance Information Clearing House, which publishes a directory of 500 non-profit groups engaged in technical assistance overseas, is supported by AID as an encouragement to developmental activities of voluntary agencies. A special section on such programs in East Asia was published in 1966.

International Executive Service Corps

The IESC is a private non-profit corporation based in New York City that strengthens private businesses in developing countries through a volunteer corps of experienced American businessmen. AID encouraged its estab-

lishment and continues to provide financial assistance. More than 2,600 experienced businessmen are on its roster, recruited by unpaid representatives in 38 American cities. Volunteers, whose services are paid for by the beneficiaries at rates prevailing in the host country, are assigned after evaluation of requests from foreign businessmen. For example, in 1966 there were 367 requests from large and small businesses in 37 developing countries, and 154 projects were begun. In 1967, volunteers are working on well over 300 projects. The program has been enthusiastically received by both overseas businessmen and their governments.

- Responding to an Iranian oil processor's request for help with market research and sales planning, a retired managing director of Standard Brands introduced new practices and has been asked to return.
- IESC volunteers with long experience with A & P food stores helped supermarket operators in Venezuela and Nicaragua improve buying techniques and food cleanliness practices and to reduce overhead.
- A mid-career official of Chase Manhattan Bank helped a commercial bank in Thailand revise international lending practice and improve internal accounting.
- In Honduras, a small family company dealing in soaps, detergents, insecticides, shoe polish, etc., improved its products and marketing techniques with help from a retired executive of Proctor and Gamble.
- An IESC volunteer with 30 years experience as head of his own concerte block business showed a producer in San Salvador how to improve both its product and sales.

Other projects have assisted in the fields of heavy equipment manufacture, glass and ceramics production, textiles, paper, plastics and rubber, mining and construction.

President David Rockefeller of Chase Manhattan Bank is IESC board chairman. Its executive committee is headed by Philip D. Reed, former chairman of the board of General Electric, while Frank Pace, Jr., former Secretary of the Army and past president of General Dynamics Corporation serves as President and Chief Executive Officer.

Partners of the Alliance

This AID-sponsored program encourages and assists private Americans at state and local levels to participiate in Latin American development under the Alliance for Progress. Under its auspices, private groups and individuals in 30 states and the District of Columbia are cooperating with counterparts in 15 countries of Latin America. In January 1967, AID granted financial assistance to the newly-formed National Association for

the Partners of the Alliance to help it sponsor, coordinate and expand the program throughout the United States. Partners of the Alliance activities generally assist educational exchanges and assistance projects, health and preventive medicine programs, joint investment and commercial ventures, agriculture and cooperative projects, cultural exchanges and community development programs.

- Colorado, Connecticut, Indiana, Missouri, New Jersey, Ohio, Oklahoma, Pennsylvania, Texas and Wisconsin have sent large quantities of hospital and medical equipment on request of Latin American counterparts. Connecticut's contributions to a hospital in Paraiba, Brazil, were worth $400,000.
- More than 150 schools have been built or helped with equipment and supplies. Maryland and its partners in Rio de Janeiro have exchanged high school students for the past two years.
- The Honduras community of Choluteca will receive a truck, 25 deep-well pumps, drilling equipment and pipe from Partners in Vermont who will also provide help to install the pumps.

VI. FOREIGN AID AND THE AMERICAN ECONOMY

AID is not in business to assist American business.

It exists to help other countries develop self-sustaining economies and thus strengthen their ability to remain free. Its function as an instrument of American foreign policy is to help ensure the kind of world in which the United States will itself be secure, prosperous and at peace.

But this is also the kind of world in which business everywhere has the highest kind of stake. A world whose masses seek but do not find a better life is not a world of peace and stability but of turmoil and unrest, the very opposite of conditions in which business flourishes.

Thus business—including American business—is among the largest beneficiaries of successful economic assistance. Developed countries buy and sell more than those that are not, as data on this nation's exports to former aid recipients make clear.

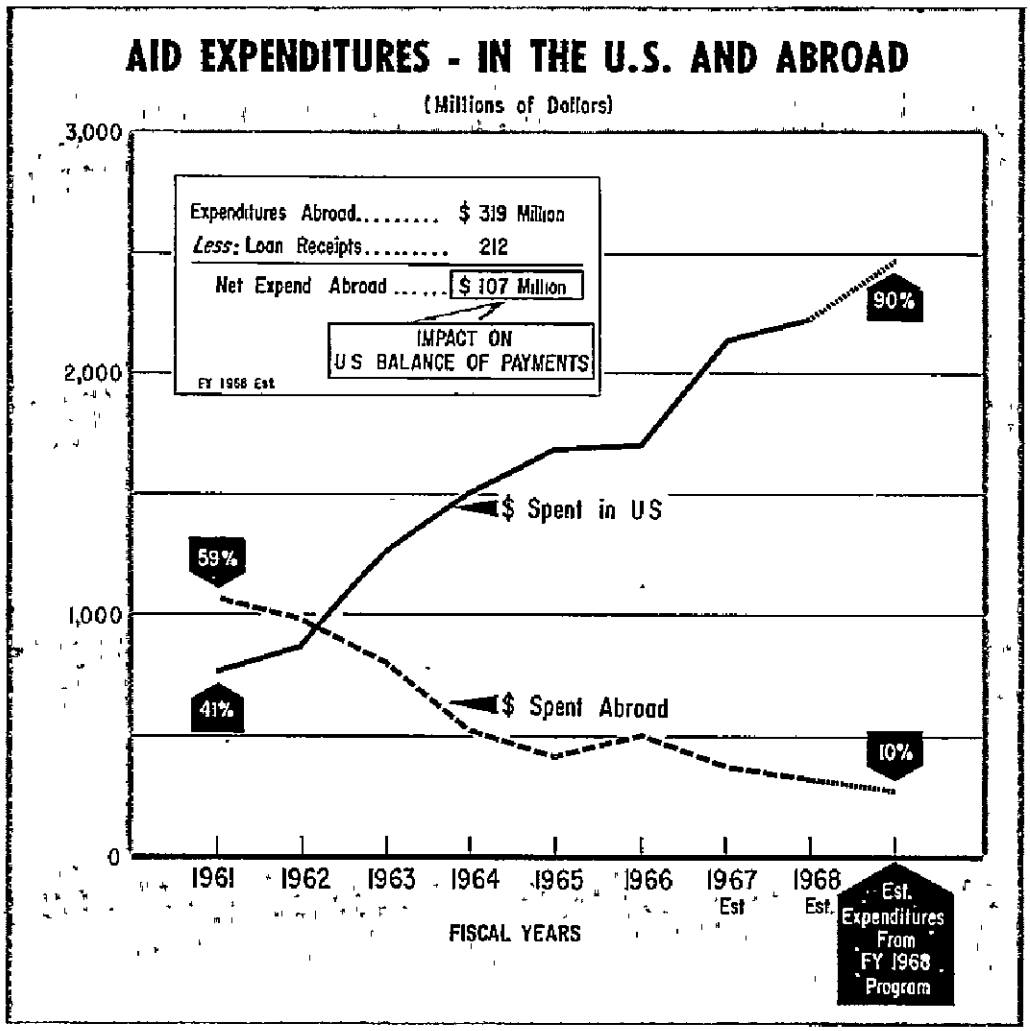
Export sales to Western Europe more than doubled since the Marshall Plan and more than quadrupled to Japan, rising 26 percent between 1963 and 1965 alone. Exports have also risen markedly in countries where aid ended more recently, for example in China (Taiwan) whose commercial imports from the United States went from $71 million in 1963 to $119 million in 1965, a climb of 68 percent in two years. In the same two-year period, U.S. commercial imports to Greece rose 48 percent, from $63 million to $93 million, while also increasing 28 percent in the case of Israel, moving from $102 million to $132 million. And in Korea, although it still receives economic assistance from this country, American commercial imports rose from $62.4 million in 1963 to $75.1 million in 1965, a matter of 20 percent.

Successful foreign aid, in short, enlarges the arena of competitive free enterprise while multiplying and diffusing its benefits. This is the long-range connection between foreign aid and the American economy.

A VITAL RELATIONSHIP

The American economy and the country's programs of foreign economic assistance also have a close and vital relationship in the shorter run.

For one thing, AID works hard at convincing American private enterprise that good investment opportunities abound in the developing world. It operates a number of programs that reduce the risk involved while im-



proving the overseas climate for private American investment through its programs of direct assistance to private sectors of developing countries. These are discussed at greater length in Chapter V.

For another, AID depends on the diversity of skills afforded by the American economy to meet needs for all kinds of expertise. Private Americans expert in a range of subjects are drawn from business, industry, academic institutions, labor unions, foundations, cooperatives—wherever private talent for solving problems, for making things work efficiently, has asserted and organized itself.

Finally, AID not only pays for services rendered, and to that extent supports and advances the well-being of whoever supplies them, but it also finances production and delivery of large quantities of American commodities that developing nations need for sound growth but at present can neither produce nor buy with their own resources. In this manner growing nations become familiar with American products and the basis is laid for later trade through normal commercial channels.

In fact, AID spends the bulk of its funds in the United States; most AID dollars never leave home. Of the total of $2.2 billion spent in fiscal year

1966 for all AID purposes, $1.7 billion or 77 percent was paid for American goods and services. But in terms of commodities financed the proportion was even higher, for of a total of $1.2 billion spent to finance them, $1.1 billion or 90 percent went U.S. suppliers. In the first half of fiscal year 1967, the American share of AID-financed commodity procurement was running at about 95 percent.

AID financing, then, helps the American economy of today as well as fostering conditions that assure peace for the world in which it must function in the future.

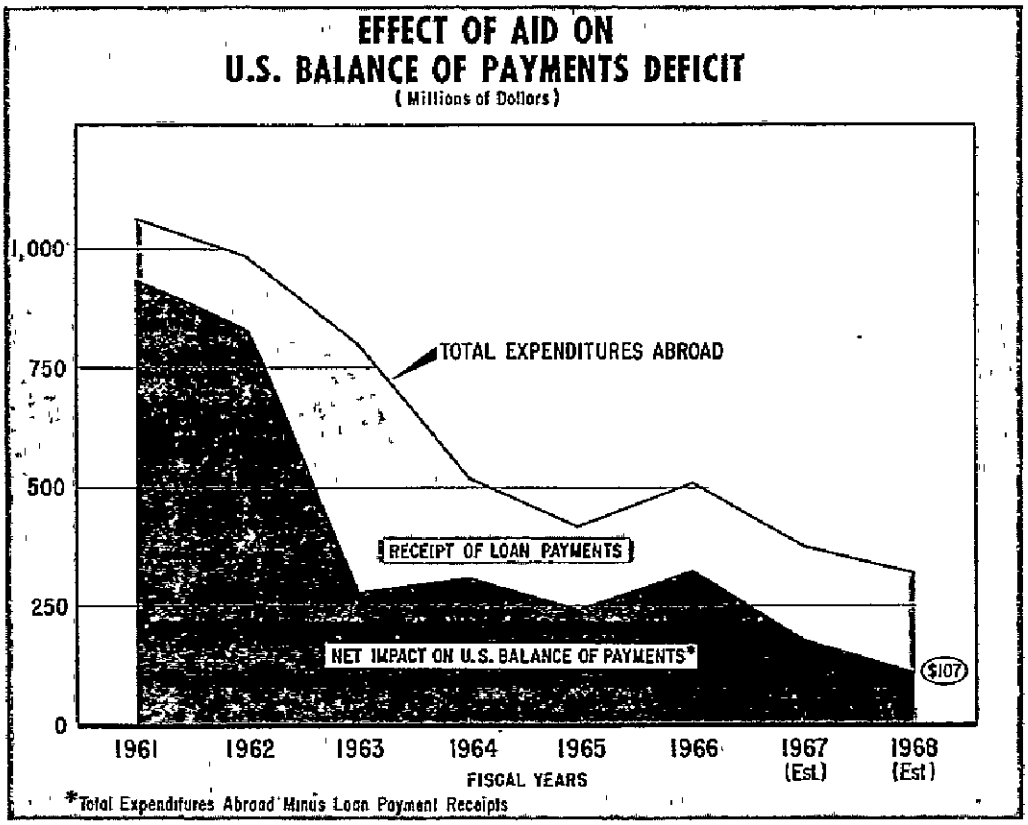
The domestic impact of foreign economic assistance programs is of major proportions, particularly in such industrial commodities as agricultural and industrial machinery, iron and steel, chemicals, motor vehicles and construction equipment (see chart on inside back cover). It also has a significant effect on the American farmer.

- Although AID accounting does not permit tracing all commodity procurement to the place of manufacture within the United States, it conservatively estimates that the $1.1 billion in AID-financed purchasing cited above for fiscal 1966 involved over 4,500 companies in more than 1,500 cities in the 50 states, the District of Columbia and Puerto Rico.
- In the same period agricultural commodities grown in 45 states and shipped to developing countries, largely under Food for Peace legislation, were worth an estimated $1.6 billion.
- At the end of fiscal year 1966, current AID contracts with universities and with organizations and individuals for technical services had a value of $478 million. Universities engaged numbered 123 in 49 states and the District of Columbia while technical service contracts were in effect with 420 companies or individuals in 191 cities, 40 states, Puerto Rico and the District of Columbia.

AID AND THE BALANCE OF PAYMENTS

Substantial spending within the United States has been characteristic of AID and the agencies that came before it. In the immediate postwar years, when this country was the only major source of goods and services needed by aid recipients, most U.S. foreign economic assistance dollars were spent here as a matter of course.

But with revival of European economies with help of the Marshall Plan purchases of aid supplies could often be made more cheaply outside the United States. Thus by 1959 the share of aid spending allocated to United States sources stood at 40 percent, a circumstance that coincided with an increasingly unfavorable balance of payments position for the country.



Although the United States continued to enjoy a trade advantage, selling more than it bought, its overseas military commitments, investment, tourist spending, foreign aid and other international activities meant that in the aggregate more money left the country than came in. Accordingly, policies were changed to limit procurement in world markets and tie it increasingly to American suppliers.

By fiscal year 1961 the net impact on the payments deficit of aid spending (overseas expenditures less loan repayments) had been reduced to $934 million. By fiscal 1966 it was $238 million.

In fiscal 1967 AID estimates that the effect of its programs after deduction of predicted loan repayments of $203 million will be $175 million. And in fiscal 1968 the expectation is that deduction of $212 million in loan repayments will reduce AID's impact on the deficit to only $107 million, an 88 percent improvement since 1961.

Today all but three elements in the AID program are rigidly tied to spending in the United States. These are the salaries paid AID employees and contractor personnel overseas, only part of which is spent there; minimal overseas purchases for AID's own administrative purposes; and contributions to the United Nations and other international organizations, although in practice two-thirds thereof, about $100 million a year, is spent in this country. In the instance of the Indus Basin Development Fund, for example, United States dollar contributions account for 44 percent of the "hard" currency foreign exchange needed by the World Bank to finance

construction. Yet 54 percent of foreign exchange costs of contracts for construction or consultant activities has gone to American firms.

There are other factors, of course, that bear on the payments deficit in relation to foreign aid spending. Some of the few AID dollars that do flow overseas unquestionably find their way back when a country buys goods in the United States without being required to do so; or when it spends dollars in a third country that in turn purchases in the American market. But on the other hand, American goods bought with AID dollars specifically tied to U.S. purchase may free other foreign exchange reserves for spending as a country sees fit, thus merely substituting one resource for another with possible adverse effect on the American payments position.

AID has a number of techniques for reducing this risk, including emphasizing to aid recipients that the continued capacity of the United States to maintain assistance levels is itself directly related to lowering the payments deficit. Although precise measurement is impossible, AID considers that subtraction of loan repayments from total AID spending overseas provides an acceptably accurate measure of its net impact on the balance of payments.

VII. ALLIANCE FOR PROGRESS

A distinct trend to more stable and more numerous representative governments, coupled with increasing readiness of political leadership to make and support decisions essential to development, is evident in the Latin America of 1967.

The increasing engagement of all levels of Latin America society in the vast work of development is another mark of forward movement under the Alliance for Progress. So is the expanding consensus that economic integration of Latin America is an important key to sounder and more rapid growth.

Although large and often intractable problems still confront the region, progress under the Alliance and the steady increase in constructive attitudes it has engendered are testimony to the soundness of the Alliance idea and to the vigor with which it has been pursued in the face of difficulties.

The United States' commitment to the Alliance for as long as necessary was affirmed by President Johnson in November 1966 and again in March 1967 when he publicly restated this country's intention to cooperate in pursuit of Alliance objectives beyond the 10-year framework contemplated by the 1961 Charter of Punta del Este.

This commitment was again dramatically asserted by his journey, in April 1967, to the Punta del Este meeting of American presidents. At this historic "summit" conference of hemispheric leaders the President pledged continued development support from the United States while reminding his counterparts that the preponderance of development effort and resources must come from within Latin America.

Shortly after his return, the President increased his original request to the Congress for appropriations in support of the Alliance for Progress in fiscal year 1968, proposing an additional $100 million for Latin America and bringing the total Alliance appropriation request to $643 million.

A CLIMATE OF PROGRESS

New leadership is making itself felt in Latin America.

In Venezuela popular support for the present government enables it to continue the social and economic reforms begun by its predecessor. The government of Chile, which in 1964 received the largest popular mandate in recent history, is carrying forward a program of "Revolution in Liberty."

LATIN AMERICA

FY 1968 PROGRAM ..... $724 million

Peru is creating organizations and providing funds to help the long-neglected Indian population.

In Guatemala an elected and reform-oriented government has succeeded a military one. In Ecuador a period of rule by military junta has given way to an elected constituent assembly that in turn named a provisional president. Colombia elected a new president during the past year. And Uruguay, which a year ago faced serious economic and political crises, has overcome the former, instituted constitutional reform, and held a peaceful election.

Although there are political forces that impede full acceptance of governmental programs in many countries, numerous legislatures are pressing administrative, fiscal, educational and agrarian reforms in the face of opposition and at high political risk. In Brazil, for example, the government has introduced reforms facilitating resumption of full political democracy, a direct congressional election was held in November 1966, and power has recently passed smoothly from one president to the next. Other reform programs are proceeding in Central America and in Mexico, where a long period of political stability has given economic and social development a sturdy base.

Latin American countries also have made real headway in curbing inflation, a process demanding political courage and firm decisions. Brazil's stabilization campaign, for example, has reduced its rate of price increases from an annual rate of 140 percent in early 1964 to 41 percent in 1966. Chile's inflation spiral, which in 1964 took prices up 40 percent, was held to a 17 percent rise in 1966. Uruguay managed to reduce inflation from 88 percent in 1965 to under 50 percent in 1966.

A further index of favorable change in Latin America is the growth of middle-class recognition of its pivotal role in economic development. For it is this social segment that is furnishing the technicians who are increasing farmland production, starting small and medium industries, improving marketing procedures, organizing cooperatives, building power, transport or communications systems, or extending the reach of education and public health programs. Such people are the key to greater Latin American capacity for effective absorption of the larger amounts of external help the region will require.

Finally, Latin Americans have recognized the efficacy of regional development and of its logical extension, economic integration. Measurable progress has occurred in both.

THE CHALLENGE REMAINS

The most basic obstacle to economic and social development in Latin America is its population growth rate of nearly three percent annually, highest in the world. If present trends continue the population of Alliance countries will double every 24 years and reach 625 million by the year 2000.

Over 40 percent of the present population, estimated at 237 million in 1966, is below the age of 15, a fact that foreshadows vastly expanded demands on Latin economies.

The staggering challenge is partially indicated by the following:

- Farm production should rise by six percent every year, double the present rate;
- At least 140 million new jobs must be created in the remainder of the century;
- Over a million new homes will be needed annually merely to match population growth;
- More than 200,000 more physicians will be needed by 1980 simply to maintain the present wholly inadequate ratio of doctors to people;
- Hundreds of thousands of new classrooms are required simply to meet minimum standards by 1970.

If Latin economies are to meet these needs, annual per capita gross national product growth rates should increase to from 3.5 to 4 percent rather than the original 2.5 percent target of the Alliance.

Preliminary estimates indicate that in 1966 a majority of Alliance countries, 10 of 19, met or exceeded the Alliance target. Eight of the 19 have averaged better than 2.5 percent for the Alliance period (since 1961) as a whole.

A recession in Argentina and a decline in agricultural production in Brazil, caused by bad weather and an otherwise salutary coffee reduction program, held growth of the 19 countries combined to 1.1 percent per capita in 1966. Excluding these two major economies, however, the rest of the region attained an over-all growth of 2.5 percent per capita in 1966 and averaged almost exactly 2.5 percent annually since 1961.

A useful measure of such a performance is that attainment of a 2.5 percent per capita rate requires an overall rate of expansion equal to or better than that of the United States in recent years. For with population growing at nearly three percent annually a country must achieve a 5.5 percent growth in total gross national product to maintain a 2.5 percent rate per capita.

Although the 1966 rate is a reminder that desired acceleration is not yet insured, the fact that growth since 1963 has averaged about 2.3 percent per capita (some 2.8 percent, excluding Argentina and Brazil) suggests that the original 2.5 percent target is not far out of reach. The next steps are to bring up the performance of those that have lagged and set the necessary higher targets for all.

Latin American investment stands at about 17 percent of total gross national product and in the last three years has increased faster. At this rate, even allowing for price increases, total investment over the "Decade of Development" will far exceed the $100 billion envisioned at Punta del Este

in 1961. Gross annual investment, computed in 1965 prices, has reached about $16 billion.

Commitments to the Alliance of U.S. bilateral development assistance of all kinds have averaged about $1 billion annually, reaching $1.15 billion in fiscal year 1966. AID's share of these commitments averaged $550 million per year although in fiscal 1966 it was $694.2 million.

TOWARD A MULTILATERAL ALLIANCE

The Alliance for Progress, by definition a multilateral enterprise, is built on a tradition at least as old as the Pan American Union and the Organization of American States which developed from it in 1948. The Inter-American Development Bank (IDB), founded in 1959, and the Inter-American Committee for the Alliance for Progress (CIAP), created in 1963, are landmarks in the evolution of effective cooperative international institutions within the hemisphere.

In addition to lending now approaching $2 billion, the IDB has played a leading role in encouragement of projects that not only call for commitments by more than one Latin American country but look to ultimate regional economic integration. It has further provided $16.5 million for multinational project studies and sponsored a report on *Multinational Investment Programs and Latin American Integration.*

The United States has consistently supported cooperative decision-making in Latin American development, for example in a 1966 amendment to the Foreign Assistance Act directing that AID loans from Alliance for Progress funds must be consistent with CIAP views as determined in its annual country-by-country review of development programs and progress.

Moreover, the United States has encouraged other developed nations to extend assistance in Latin America on a joint basis:

- An agreement between Germany, Bolivia and the United States provided $7 million in capital assistance to rehabilitate the Bolivian mining industry;
- Canada arranged for the IDB to administer up to $10 million in economic, technical and educational projects in Latin America;
- Canada also joined the United States and Great Britain on behalf of economic development programs in the Caribbean and newly-independent Guyana.

The Central American Bank for Economic Integration, while receiving the bulk of its funds from the United States and the IDB, also has negotiated credits from Mexico, England, Spain and Switzerland.

Finally, consultative groups sponsored by the World Bank are making themselves increasingly useful in guiding and assisting Latin American development. Representing all developed nations extending or considering help

for a developing country and organized in order to bring donors and recipients into active cooperation on policy decisions, such groups have been established for Peru and Colombia. Another is being studied for Central America as a unit while interest has been shown in groups for Chile, Ecuador and Brazil. The latter's economy was the subject of extensive World Bank discussions in Paris in July 1966.

ECONOMIC INTEGRATION MOVES FORWARD

The Latin America of today is characterized by small markets, unrealistically high protective tariffs, and a multiplicity of inefficient and costly industries. And unless its exports can be increased dramatically, a matter in which efficient use of resources is of highest importance, its nations cannot hope to earn the foreign exchange with which to purchase capital equipment vital to modernization. In addition, growing exports are the key to a capacity to service the large external debts acquired in the development process.

A powerfully effective remedy is at hand, however, in economic integration, a deliberate pooling of the capacities of two or more nations whose political boundaries often bear little relation to the distribution of resources or to potential markets. Economic integration could bring larger markets, a more rational distribution of industries, increased competition in private enterprises, and diversification of economies which presently depend on one or two primary commodities for most export earnings.

The full support of the United States has been given the Latin American movement in this direction and its acceptance as a goal for the entire region was the highlight of the meeting of American Presidents this year at Punta del Este. Specifically, it was agreed to create a Latin American common market beginning in 1970 and to begin providing the basis for economic integration through multinational development projects.

Two major regional integration organizations have in fact been formed and one has made substantial progress. The Central American Common Market (CACM) increased trade among its five member nations—Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua—from $37 million in 1961 to $133 million in 1965. This trade is without restrictions on about 95 percent of the items constituting the region's internal commerce. In addition, new industries have been established to serve the wider market that has opened. AID supports the CACM both through direct assistance and contributions to the Central American Bank for Economic Integration (CABEI), which has made 107 industrial loans exceeding $36 million.

The Latin American Free Trade Association (LAFTA), including Mexico and 10 countries on the South American continent, has not progressed so rapidly. Tariff reductions have been negotiated on many items but the more difficult and significant phase of across-the-board reductions has yet to begin.

FISCAL YEAR 1968 PROGRAM

AID's proposed contribution to Latin American development in fiscal year 1968 is $723.6 million. It includes $578.1 million for Development Loans, $115 million for Technical Assistance, and $30.5 million for Supporting Assistance, largely in Panama and the Dominican Republic. The total is comprised of carryovers and recoveries from previous years as well as $643 million sought in new Alliance appropriations, including $533 million for Development Loans and $110 million for Technical Assistance.

AID considers that in the light of the urgency and significance of the development crisis in Latin America the program it requests is the bare minimum consistent with fulfilling the responsibilities of the United States as an Alliance partner. Despite the region's growing capacity to use outside help effectively, and despite the rising level and quality of Latin American self-help efforts, AID spending for Latin American development has remained fairly constant over the first five and one-half years of the Alliance. Inevitably, this has meant that United States assistance was thinly spread in relation to Latin America's development needs.

Circumstances in Latin America are particularly appropriate for application of Title IX of the Foreign Assistance Act which stresses "encouragement of democratic private and local governmental institutions" as a way of inducing popular participation in development. AID proposes to continue and strengthen existing programs such as credit unions, cooperatives, savings and loan associations, credit for small businessmen and artisans, and vocational training. At the same time it proposes such activities as expanded community development and local government programs in the Dominican Republic and Guatemala, cooperative farm groups in Brazil and Bolivia, greater emphasis on self-help housing and community improvement, and further support of supervised agricultural credit programs.

Latin America Program Summary

(Millions of Dollars)

	Fiscal year 1966 actual	Fiscal year 1967 estimated	Fiscal year 1968 proposed
Development Loans	$505.5	$469.8	$578.1
Technical Assistance	88.5	94.9	115.0
Supporting Assistance	44.8	31.9	30.5
Contingency Fund	55.4	12.8	.....
Total	$694.2	$609.4	$723.6

Development Lending

AID will make two types of loans—project and program—in Latin America in fiscal year 1968. Each meets a different requirement.

Project loans, the most familiar, are directed to specific and identifiable purposes, in the Latin American case including provision of capital to private development banks, urban development projects, industrial credit, a private investment fund and projects of the Central American Bank for Economic Integration.

Program lending, on the other hand, supports an economy in general by financing the import commodities, otherwise unavailable because of inadequate foreign exchange, which a balanced and lively economy requires. A particular advantage is that all commodities involved move in general commerce and thus stimulate private enterprise.

Examples are afforded by Brazil and Colombia, two countries that have shown a real capacity for moving ahead with reform, stabilization and basic development actions. This kind of AID help in fiscal 1968 will enable the two countries to import from the United States goods necessary for growth of their private sectors as well as to help absorb inflationary demand. At the same time, Brazilian or Colombian currencies paid to the governments by private purchasers will create pools of capital for public investment in development. Such loan funds are normally conditioned on adoption and execution of self-help measures and are released in quarterly amounts as performance occurs. It is an effective technique.

Typical conditions include measures for monetary stability, tax reform and better administration, encouragement of exports as well as imports, educational improvements, higher farm productivity, sound and realistic planning, and expansion of government investment in social development or such basic matters as transportation and communication.

In Chile, for example, AID program loans have enabled the government to expand development investment while more than halving the inflation rate. Total revenues are up from 16 percent of Chilean gross national product in 1964 to 20.4 percent in 1966, a marked increase during President Frei's two years in office. Significantly, a program loan contemplated for Chile in fiscal year 1967 was not made when its government, relying on a favorable copper market and feeling that better economic discipline was possible if there were no loan, determined to meet its development needs this year without it.

The program loan technique is also applied to particular economic sectors, such as agriculture, industry or education.

Technical Assistance

The $110 million request for Technical Assistance in Latin America is $22.3 million larger than the previous year's, primarily because of proposed expansion of assistance in agriculture, health and education.

In providing this type of assistance, largely the services of United States experts, AID will continue to draw on the range of this country's private and public resources.

For example:

- As of December 31, 1966, the value of AID technical service contracts with 318 U.S. universities, firms and non-profit institutions involving 21 Latin American countries was $81.5 million;
- The Department of Agriculture, under an agreement with AID, has experts in 15 countries improving institutions responsible for agricultural development and revamping price policies;
- The American Institute for Free Labor Development (AIFLD) is helping develop democratic trade union movements in 20 countries. It sponsors training programs, workers' banks, low-cost housing and other special projects. In fiscal 1968 AID support of this work will exceed $5 million;
- The Internal Revenue Service assists 18 countries in better tax administration and collection while Department of Labor experts help analyze manpower needs as as a basis for educational planning. In all, more than a dozen U.S. Government agencies function in Latin America under agreement with AID;
- A people-to-people program called Partners of the Alliance supports private sector groups from 30 States and the District of Columbia working with counterparts in 15 countries on such matters as commercial investment, transport problems, school needs and establishment of civic organizations.

Supporting Assistance

The bulk of $30.5 million requested for Supporting Assistance in fiscal year 1968 will support investment by the Government of the Dominican Republic in programs designed to increase employment and thus promote stability while that country moves from the recent revolutionary period to one of more normal growth.

Priority for Agriculture, Health, Education

AID's experience and the annual reviews of development programs by both CIAP and the Inter-American Economic and Social Council have shown the urgency of greater emphasis on more productive agriculture (and the related problem of population), health and education.

Agriculture

Although half of Latin America's people live in rural areas, they are as yet unable to produce enough food to supply the population adequately. Nor can Latin America, with the world's fastest growing populations and a serious shortage of foreign exchange, afford to import food. Yet it does so at the cost of $600 million a year.

At the same time, rural unemployment or underemployment is increasing in almost all Latin American nations because of population pressures on readily accessible land and the mechanization of commercial farming operations. Efforts to increase cultivated acreage and improve yields suffer from weaknesses in internal and external demand for agricultural products, and in the public and private institutions which must resolve these problems.

Low productivity and inadequate investment capital combine with inefficient marketing practices, high transport costs, and ineffective agricultural policies to weaken the farmer's incentives to produce more food. These factors in turn lead to high food costs.

In attacking these problems, 16 countries have passed legislation dealing directly with land reform. In addition, with U.S. assistance, 1.1 million acres of land have been irrigated and 106,000 acres reclaimed. More than 700,000 agricultural loans have been extended, benefiting 3.5 million people. Some 15,000 miles of roads, including many farm-to-market access roads, have been built or improved.

Latin America's capacity for self-help will be severely tested in the struggle to improve rural life and increase agricultural productivity. AID proposes to support Latin American self-help efforts in agriculture with $19 million in Technical Assistance funds and about $260 million in Development Loan funds in fiscal year 1968, a total of $279 million. Areas of primary concern are national policies affecting agriculture; better marketing and pricing systems; the refinement, expansion and application of agricultural research, education, extension and credit institutions; and construction and improvement of farm-to-market roads, commodity storage facilities and irrigation systems.

More fertilizers and other chemicals as well as farm equipment will be made available, and further progress is anticipated in community development programs, local government improvements, the organization of cooperatives, the expansion of rural industries, and the development of power systems, trunk highways and port facilities.

Family Planning

Government officials are more aware than ever of the difficulty of improving economic and social well-being in the face of spiraling populations. Specifically, national family planning programs have been established in Chile, Colombia, Costa Rica, Honduras, Peru and Venezuela. Others have substantial private family planning organizations and activities.

Because regional institutions and approaches can play an important role in family planning research, training and programming, support for them is being extended through AID's Regional Office for Central America and Panama (ROCAP), the Pan American Health Organization (PAHO), the regional office of the World Health Organization (WHO), and other institutions. In addition, AID supports research and training efforts of the Latin American Demographic Center, the Institute for Economic and Social Development of Central America, and the Organization of Central American States.

Yet these long-run efforts to control population are not expected to relieve unemployment by reducing the size of the labor force for at least 10 years.

Health

Progress under the Alliance in establishing health facilities and programs has steadily improved in Latin America, but the explosive growth of population requires greatly accelerated efforts if goals established by the Charter of Punta del Este are to be realized. AID expects to allocate $35 million for health programs in fiscal 1968, $10 million more than in fiscal 1967.

In 1960 there were 8,200 hospitals with 684,000 beds, a ratio of 3.2 beds per 1,000 population. Although the number of hospitals increased to approximately 9,900 by 1964, with 764,000 beds, the ratio of beds to population remained the same.

The increase in physicians—from 90,800 in 1957 to 120,600 in 1964—represented a gain of only 0.4 percent in the ratio of physicians to 10,000 population. Extending projections to 1980, about 183,500 doctors will be needed simply to maintain the present proportion of 5.4 doctors for every 10,000 persons.

Programs to eradicate communicable diseases reduced the number of deaths due to malaria in 10 countries from 10,810 in the 1960–62 period to 2,280 in 1964. There were 3,220 reported cases of smallpox in 11 countries in 1964 compared with 8,990 in 1961.

Programs to improve environmental health have also made progress. Sixty-nine percent of urban residents now have piped water compared with 61 percent in 1960.

Education

No nation in modern times has achieved adequate rates of economic growth without a major expansion and reform of its educational system. Responding to this challenge, Alliance countries have made genuine progress.

With AID's assistance, 11 have opened educational planning offices. Since 1961, primary school enrollment has increased 23 percent, secondary school enrollment 50 percent, and university enrollment 39 percent. AID also assisted in construction of 24,500 new classrooms, training of 170,000

more teachers, and distribution of 12.5 million textbooks. Most countries have increased budgets for universities by 150 to 200 percent.

The achievements pale, however, when measured against Latin America's overwhelming education deficit. Regardless of how it is measured—by the numbers of school-age children not enrolled in primary school (50 percent), by dropout rates in primary schools (75 percent) and in secondary schools (often 80 percent), or by numbers of adult illiterates (50 million)—this deficit is staggering.

AID proposes to use about $120 million in fiscal year 1968 to help reduce the gap. Greatest emphasis will be on better educational and manpower planning, improved university faculties and wider use of educational television, and broadened university-to-university relationships. U.S. universities are now helping build counterpart institutions in 12 countries. Also planned are improvements in educational organization and administration and development of low-cost techniques for handling the burgeoning numbers of students.

AID's successful program of textbook translations and distribution will be expanded in fiscal year 1968 while vocational education receives special emphasis in other programs.

BRAZIL

Of all Latin American nations, Brazil has the greatest potential for becoming a world power. With more than 83 million people and territory of 3,280,000 square miles, the country is endowed with virtually every resource needed to create and support a modern society.

Major accomplishment in Brazil, containing half the population of the South American continent, is imperative if the Alliance for Progress is to succeed. The political and economic stability of a country exceeded in size only by four others in the world, and in population by only six, is equally critical to the future of the Western Hemisphere.

AID programs in Brazil are therefore intended to help achieve the following objectives:

- Maximum stability in a framework of effective government oriented to democratic principles and based on a political system responsive to popular will;
- A modern economy characterized by price stability and rapid and balanced growth paralleled by increasing social justice and more equitable distribution of income.

In a self-help program undertaken by the reform government which came to power in 1964, Brazil has in fact made steady and measurable progress toward an economy capable of successful major development. Signs abound that it is emerging from a belt-tightening transition period in which Brazilian leaders hammered out policies essential to ending cruelly

high inflation, low investment and general economic stagnation. Moreover, the stabilization program begun by President Humberto Castello Branco has the strong endorsement of his successor, Artur da Costa e Silva.

Although the consequences of corrective measures instituted and maintained by the Castello Branco government are impressive, considering the gravity of conditions which confronted it, faster progress is imperative to appreciably improve the life of the individual Brazilian.

In 1967, for example, Brazil's gross national product is expected to increase about six percent. Yet prevailing conditions—annual population growth of about three percent, explosive expansion of urban populations overwhelming to authorities who must cope with it, vast shortcomings in housing and education, technical backwardness in most areas—dictate annual growth of about eight percent merely to maintain the present rate of employment and minimal individual advancement. For Brazil to reach that goal requires increasing its investment ratio, now approximately 15 percent of gross national product, to an estimated 23 percent. Sound policies and measures determined at high levels as requisites for real progress are frequently diluted by ineffective application.

Brazil's education system is wholly inadequate to meet manpower requirements in a developing society. Only 60 percent of the nation's school-age children are in primary schools. Of every thousand enrolled in elementary classes, 800 leave before the fourth grade. Only 30 finish secondary school, and only one complete a university course.

Nor is Brazilian agriculture keeping pace with population growth. Low farm prices, high cost of seeds and fertilizers, inadequate research, extension, storage and marketing facilities—all retard the growth of the vital agricultural sector.

Self-Help Accomplishments

To meet self-help requirements under the Alliance for Progress, the Brazilian Government has undertaken important stabilization, reform and investment efforts in the last two years. They included measures to increase tax revenues, reduce budget deficits, improve credit and foreign exchange policies, and advance basic reforms in agriculture, land tenure, private enterprise and housing.

In 1966 these were among significant results:

- With increased tax collections, the cash deficit of the federal budget was reduced to 11 percent of expenditures as compared with 22 percent for 1965 and 46 percent for 1964;
- The over-all increase in money supply was cut from 80 percent in 1965 to 20 percent in 1966, thus curbing the inflationary practice of printing more money to liquidate the public debt;

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• Trade policies were somewhat liberalized through lower charges on imports and some easing of laws protecting domestic manufacturers. In addition, exports were freed of all licensing and most administrative restrictions, opening the way for major export promotion.

But there also were failures and disappointments. Inflation proved more stubborn than predicted as price rises in 1966 approximated 41 percent compared to about 45 percent in the previous year. This was in happy contrast, however, to the 140 percent annual rate of price increase as of March 1964, when inflation was worst.

The economic hardships inevitably accompanying the stabilization program have, moreover, eroded its popularity since the 1964 revolution as strict wage and monetary controls depressed buying power of low-income groups and checked business activity. The pace of administrative and educational reforms is also somewhat slower than had been hoped. Nevertheless the most arduous phase of the fight to stem inflation appears over, and the stabilization program is beginning to yield the fruit of two and one-half years of courageous work.

The political outlook is also improving. Although a new president was chosen by Congress rather than the electorate to ensure the continuity of the revolutionary government, direct elections were held in November 1966 to return a new Chamber of Deputies and fill one-third of the Senate seats. The way was thus cleared for the national reform program to proceed in a constitutional framework.

Fiscal Year 1968 Program

U.S. assistance to the Brazilian development program continues to be carefully monitored and quarterly reviews of economic performance precede AID disbursements.

A primary AID purpose in fiscal year 1968 will be to help Brazil hold down the rate of inflation. The Brazilian Government will be expected to maintain a non-inflationary federal budget while continuing wage and credit restraints. Other expectations are extension of the import liberalization program, a realistic foreign exchange rate, and additional administrative reforms. Loans negotiated in fiscal year 1968 will largely depend on results in fiscal 1967. A $100 million commodity import loan was authorized in March 1967 just before Brazil's new government entered office. Its provisions were endorsed by the new government.

Accelerating Private Enterprise

To encourage industrial growth, the Castello Branco administration eased government restrictions on both domestic and foreign private investment. Legislation was enacted to marshal more private capital into industrial enterprises, and two major industries—minerals and petro-

chemicals—were opened to private development. At the same time, the government liberalized regulations governing the repatriation of profits on foreign private capital and put into effect an agreement permitting AID to guarantee U.S. investments in the country. Income tax incentives produced good results in the higher flow of private industrial capital—now exceeding $60 million a year—to the background Northeast.

Most commodity imports financed by AID loans are destined for Brazil's private sector, where they help keep the wheels of privately-owned factories turning. They have further opened intermediate-term financing for private importers of capital equipment, such as machine tools and food processing machinery. Brazilian currency funds created by sales of AID-financed commodity imports have been used to establish seven intermediate credit institutions which have been made 7,000 loans to Brazilian business firms. AID also plans capital loans to help diversify agriculture, to assist education, to expand the steel and chemical industries, and to extend power, transport, port and communications facilities.

Assisting Farm Production and Reform

Brazil's food production is being modernized by replacing price controls with subsidies at the farm level. An effort is also being made to reduce coffee production—the nation's biggest single food export—in favor of growing more foods that are consumed in the country. Agricultural authorities are expanding research and education programs, farm credits, extension services and marketing facilities.

An agrarian reform law has been passed and an agency created to develop and administer a land reform program. Basic regulations and procedures have been completed, including a national survey providing an assessment base for taxes aimed at land redistribution. New rates have been assigned and taxes are being collected. Distribution of government tracts and lands sold voluntarily by prior owners provided for 5,000 new land titles in 1966.

In fiscal 1967, AID supplied capital assistance for diversification of crops and production of fertilizers. In addition, a $20 million loan to the Central Bank of Brazil provides foreign exchange for importing fertilizer from the United States. Brazilian cruzeiros generated by sales of this fertilizer finance further sales to small landowners and tenant farmers who have found it difficult to obtain low-cost credit for that purpose. In addition, AID furnishes technical assistance for research and credit operations and for helping improve marketing facilities, cooperatives, resettlement programs and agricultural education.

In fiscal 1968, an anticipated loan directed to the agricultural sector will encourage further investments in food production through projects expanding cooperatives, agricultural credits and marketing systems.

Educational Development

Brazil's educational goals include doubling secondary and university enrollments by 1970, plus administrative and structural reforms necessary to improving higher education. Emphasis on teacher training marks a program to rapidly expand primary education.

AID supports three educational teams, working at elementary, secondary and higher education levels, to provide a plan of broad educational reform. The elementary school study includes a group from the State University of New York. San Diego State College is cooperating in study of secondary schools, the Midwest Universities Consortium, consisting of the University of Illinois, Indiana University, the University of Wisconsin and Michigan State University, supports the work at the level of higher education.

Loans concentrating on the education sector are anticipated in fiscal 1968 to help finance more secondary schools and teacher-training facilities as well as textbook and adult literacy programs. The book program contemplates texts for every student in three years. The loans will depend, of course, on a much increased level of support of education by the Brazilians.

Advances in Health

The AID-supported Brazilian campaign to eradicate malaria and other diseases endemic to tropical areas of the country had reached more than five million rural residents by the end of 1966. As it continues, new water systems are simultaneously being installed in Brazil's cities and towns to reduce enteric diseases which are the biggest single cause of infant death. Fifty-five such systems have been created since 1964 with AID's help compared with only 26 during the eight preceding years.

In fiscal 1968 AID will concentrate Technical Assistance on the development of key public health institutions which in turn will assist with construction of self-supporting water and sewer works as well as the planning of general public health programs.

The Northeast

All of Brazil's development problems are magnified in the vast agricultural region comprising the northeastern part of the country. The Brazilian Northeast contains nearly a third of the national population—26 million people—in a 10-state area often called "a nation within a nation." Yet the per capita income of its backward rural sections is less than 30 percent of the national average. Persistent droughts have driven many inland farmers to coastal cities to overwhelm the urban capacity for housing and feeding the impoverished.

Development activities began in 1959 with establishment of a regional development authority, SUDENE, which sponsors a wide variety of economic and social assistance programs.

A system of tax incentives has stimulated construction of 240 new privately-owned factories in the Northeast, representing an investment of

nearly $190 million. However, the low level of technical and managerial skills continues to delay the progress of both industry and agriculture.

AID works with SUDENE and other agencies to improve manpower, by means of literacy, vocational and managerial training; to lessen human misery, through improved health facilities, disease control, water and sanitation installations, housing and public feeding; and to finance such capital projects as highway maintenance, power generation and transmission and new industries.

In fiscal 1968, a program to modernize the sugar industry, to diversify agriculture, and to improve living conditions in the areas where sugar is grown will receive special attention.

CHILE

The progress of Chile's "Revolution in Liberty" on behalf of economic development and social justice in a democratic framework is being watched throughout the hemisphere.

Chilean gross national product rose an estimated six percent in 1966 and by 5.8 percent in 1965, compared with an average annual growth of 4.2 percent for the previous 10 years. In 1966, the rate of inflation dropped to 17 percent as compared with 26 percent in 1965 and 40 percent in 1964. Extensive fiscal reforms have meanwhile increased the value of tax collections by nearly one-third.

The way was thus cleared for major investments in education, housing, communications, and the expansion of the country's biggest single industry—the copper mines.

Self-Help Accomplishments

Copper is of fundamental importance to the Chilean economy, with exports earning more than two-thirds of the foreign exchange receipts. In negotiations increasing national participation in the ownership and management of the mines, U.S. companies have agreed to a $500 million expansion program expected to double copper production by the early 1970's.

The outlook for agriculture is also improving, with a perceptible increase in the prices paid to farmers and a substantial reduction in the prices they must pay must pay for their farming needs, stimulating greater use of fertilizer, insecticides and modern machinery. The expansion of agricultural credits by more than 25 percent in each of the past two years promises further improvements in farm production in 1967.

One outstanding success of Chilean agriculture has been a doubling of corn production during the Alliance for Progress period that has made Chile a world leader in this important staple. The country's 1966 output is estimated at more than 11.4 million bushels, compared to 5.7 million in

1961. In terms of yield per acre, Chile stands as the most productive in Latin America and the sixth in the world, according to a recent Food and Agriculture Organization report.

This achievement owes much to the research and extension work of the Institute of Agrarian Research which, with the Ministry of Agriculture, has developed and introduced several new hybrids and has promoted sales of quality varieties by U.S. companies in Chile. The institute has received financial and technical help both from AID and such private institutions as the Rockefeller Foundation and the University of Minnesota.

In the long run, however, the development of Chilean agriculture depends on the nation's success in reforming an archaic land tenure system which keeps vast areas of the best land concentrated in the hands of a few families. After almost two years of effort, the land reform law was passed by the Chilean Congress in early 1967. This will permit acceleration of a resettlement program which during 1966 established about 6,000 tenants on their own farms.

Educational progress has been particularly impressive in Chile with a major expansion of school facilities and enrollment. In 1965, more than 1,500 new school buildings were constructed, adding 6,038 new classrooms or 10 times more than those constructed in each of the preceding five years. By August 1966 another 4,645 classrooms had been built.

Primary enrollment increased by 175,000 students in 1965 compared with an average annual addition of 40,000 in previous years, while the number of secondary students rose 30 percent in 1965 over 1964. The enrollment campaign added another 80,000 primary pupils and 5,000 secondary students in 1966.

To teach the new students, most of whom live in rural areas previously without schools, more than 5,000 new primary school teachers are being trained each year.

Another important achievement was the inauguration in 1966 of six regional colleges by the University of Chile.

Fiscal Year 1968 Program

As a result of budget economies and higher than expected revenues from copper sales, Chile in fiscal year 1967 has been able to forego a planned U.S. loan for financing commodity imports and avoid drawing on standby credits made available by the International Monetary Fund.

AID's program in Chile is planned at a declining level of financial assistance over the next five to six years as the Chilean development program gains momentum. The U.S. program will be predicated on continued progress in:

- Stabilizing prices and reforming the monetary and finance systems;
- Eliminating restrictions which hamper economic activity;

- Expanding skilled manpower reserves through more and better education;
- Rapidly increasing public and private investment in all sectors of the economy, particularly agriculture.

In fiscal year 1968, Chile will continue to receive substantial technical and capital assistance from a variety of sources other than AID. Of particular significance will be the influx of private U.S. capital for the expansion of copper production, which is expected to approach $100 million in both 1967 and 1968. Chile also will receive sizable loans from the Inter-American Development Bank (IDB) and the World Bank.

In 1967 the IDB is considering projects amounting to about $40 million in petrochemicals, irrigation, telecommunications, small-industry promotion, animal health, and education. This is in addition to 1966 loans approximating the same figure. The World Bank loaned Chile $60 million in 1966 for electric power development and is considering further loans for highway construction and maintenance during 1967.

It is also likely that Chile will receive credits from various European countries and Japan for specific industrial projects. Technical assistance has been provided by a wide range of donors including the United Nations, the Ford and Rockefeller Foundations, West Germany and the United Kingdom.

In the past, the main instrument of U.S. assistance has been the "program" loan to provide dollar exchange for general commodity imports from the United States. While it is not determined that such loans will be necessary in fiscal year 1968, continued progress toward economic stabilization will be a condition of other financing. As price stability improves, U.S. loans made for specific projects or economic institutions will focus more directly on institutional reforms rather than on over-all fiscal and monetary policies.

Technical assistance in support of the stabilization program will be applied to the modernization of tax and customs administration, as well as aiding the development of agriculture, transportation and small industries. In fiscal year 1967, U.S. authorizations for Technical Assistance in these areas total $429,000.

Agricultural Development

Agricultural development will receive the highest priority in fiscal year 1968 in an effort to reduce the trade deficit due to food imports. Once a net exporter of agricultural products, Chile has increased its annual imports of foods to an estimated $170 million. This trend is due to the fact that Chilean agriculture has not kept pace with the growth of population and the food demands of the growing middle class. Per capita farm production has actually dropped some 10 percent in the past decade.

To meet demands, agricultural production must grow at a rate of six percent a year by the 1970's, according to present estimates. This would

allow the country to triple its agricultural exports within a five-year period and eliminate large imports of wheat, meat and milk in good production years.

Accelerated assistance to Chilean agriculture began in fiscal year 1967 with a loan for import of fertilizer, equipment and other goods to boost agricultural production. Specific measures for improving agricultural policies were agreed on. Another such loan is contemplated in fiscal year 1968.

Expansion of extension services and educational facilities, needed in order to develop manpower resources, will require further technical assistance from AID in fiscal year 1968. Also under consideration are programs for developing temperate zone fruit and vegetable production.

Industrial Development

Private industry will continue to receive assistance from AID in fiscal year 1968 through a loan providing medium-term credits for importing capital goods from the United States. In addition, project loans are being considered to finance port facilities, agricultural equipment and regional vocational training centers. Technical assistance to small industries will also continue.

Education

For fiscal year 1968 a loan under consideration would quicken the pace of Chile's educational development. The AID loan will hinge upon allocation of additional Chilean resources for educational planning purposes, administrative reforms, evaluation of the quality of instruction, and improvement in schools not meeting minimum requirements. Technical assistance will provide advisory services to assist in formulating new program policies as well as training opportunities for Chilean educators.

COLOMBIA

Colombia's accelerated economic and social progress, achieved in a framework of democracy and free enterprise and leading rapidly to a strong, self-sustaining and open economy, is the objective of U.S. aid. It is also the goal of the other countries and several international agencies that, with the United States, have formed a Consultative Group for assistance to Colombia under World Bank leadership.

U.S. assistance to Colombia in fiscal year 1968 will be particularly addressed to efforts to solve its fundamental balance of payments problem and meet the need for agricultural development. A broad consideration of U.S. assistance policy toward Colombia is capacity to deal with anti-democratic forces that include pro-Communist rural guerrillas. The Tri-Continental Congress held in Havana in January 1966 named Colombia a prime target.

Colombia's foreign exchange earnings and private capital inflow are insufficient to pay for imports needed to sustain an acceptable growth rate for an expanding population, thus limiting both public and private sector development efforts. The country's chief export earner is coffee, which accounts for 65 to 70 percent of its foreign exchange receipts. This export is hampered, however, by inelastic demand of the international coffee market. On the other hand, plans for agricultural diversification in coffee growing areas have moved slowly and are complicated by the large number of small growers and lack of adequate technical and financial resources. In consequence of agricultural production that lags behind other economic sectors in growth, and behind population as well, per capita food production has slipped to a sub-standard level.

The country also needs to increase its domestic revenues through more taxes and better collection and to strengthen its planning capacity. The present administration is revising an out-of-date long-term development plan.

There are also social obstacles to development, including an education system reaching only 17 percent of the 12–18 age group and leaving a bottleneck at the level of potential technicians and university entrants. As a result the majority of the population is unskilled or semi-skilled and suffers severe unemployment or underemployment, especially in rural areas. In addition, rural poverty and violence have quickened the drift from farm to city to aggravate an acute housing deficit and deepen the need for coordinated urban development.

Self-Help Accomplishments

Colombia has made significant financial progress following a series of fiscal and monetary reforms initiated in the fall of 1965.

The exchange rate for imports was devalued, and about four out of every five commodities were placed on the free list. Banking regulations were tightened. Tax revenues went up 38 percent in real terms during the first eight months of 1966, compared with the same period in 1965. New gasoline taxes were levied, and income taxes were put on a pay-as-you-go basis as of January 1967.

President Carlos Lleras Restrepo nevertheless had to place emergency controls on foreign exchange and imports to offset falling coffee prices and a slowdown in coffee shipments in September and October 1966.

The Lleras Restrepo administration is now revising the nation's long-term development plan to concentrate a higher percentage of the federal budget on public education. In 1967 education was slated to receive one-fifth of the budget, a 33 percent increase over previous years.

Congress has been studying a plan to modernize education at all levels and to make it available to many more prospective students. The primary

and secondary school systems presently reach only 17 percent of persons 12 to 18 years old.

In an effort to step up agricultural production, federal investments in that sector were doubled in 1966 and will be tripled in 1967, compared with the 1963 level. Land reform will receive a major share of the new investment funds under expected legislation which would step up the expropriation of lands for distribution and expand supervised credits to farmers. The Agrarian Reform Institute (INCORA) has already provided training in supervised credit to more than 530 employees.

The more than 9,100 farmers participating in the supervised credit program have doubled their per capita income in two years.

The AID-assisted Livestock Bank is receiving support from private Colombian investors as well as the Colombian Government in a program to step up meat exports. In the first half of 1966, these tripled in dollar value over the same period of 1964.

Industry is benefiting extensively from a new system of vocational training supported by a two percent payroll tax. About 46,720 business enterprises are now contributing to the vocational program, whose 51 centers provide instruction in 140 occupations. As of mid-1966, the vocational schools had given occupational training and improvement courses to 164,217 Colombians, including 25,691 apprentices and 10,000 supervisors. Employers also grant paid leaves of absence to workers being trained in democratic labor organization by the American Institute for Free Labor Development (AIFLD).

Other recent signs of progress include the construction of 120,000 low-cost urban housing units by the National Housing Institute; 200 water supply and sewerage systems benefiting 167,000 rural families; and 820 health centers, 13 hospitals, and 80 clinics. In support of the housing program, the government allocated $1.2 million in counterpart pesos to pay the labor costs of housing cooperatives in fiscal year 1966.

Fiscal Year 1968 Program

AID will continue to coordinate its assistance with other donor countries of the Consultative Group on Colombian economic development: Belgium, Canada, Denmark, France, Germany, Italy, Japan, Luxembourg, the Netherland, Switzerland and the United Kingdom.

U.S. loans in fiscal year 1968 will help Colombia finance high-priority, private sector imports from the United States which will maintain national economic growth while establishing a productive base for more exports and needed goods that are now imported.

As part of the government's drive to increase foreign exchange earnings, AID will provide technical assistance to the Export Development Fund and for a national industrial development plan which will identify opportunities for new investments.

Technical assistance to tax and customs administration will be continued, and a loan is being considered for advisors to help evaluate property taxes as a new source of revenues for national development.

Agricultural Development

Although the Government of Colombia is increasing its support to the Institute for Agrarian Reform and the Livestock Bank, it needs a comprehensive plan for agricultural development. At the request of the Ministry of Agriculture, AID proposes to send a team of specialists from the U.S. Department of Agriculture to assist in such planning, which will concern itself with pricing and credit policies, land reform, colonization, and storage and marketing procedures.

In addition, AID expects to finance a feasibility study of the Magdalena Valley, an area containing more than half of the country's better agricultural lands and extensive water resources suitable for hydroelectric development.

Technical assistance will be continued in agricultural education, extension services and research. AID's participation includes a program of expanding and upgrading the agricultural and veterinary faculties on three campuses of Colombia's National University. Under an AID contract with the University of Nebraska, 30 professors from the Mid-American State Universities Association will advise Colombian faculties in the modernization of curricula and the improvement of research laboratories and extension services.

AID will provide technical assistance in the fields of supervised farm credits and marketing cooperatives and plans a loan to the Livestock Bank for new and improved slaughterhouses.

Education

A two-year study of Colombian education under an AID project carried out in cooperation with the United Nations Educational, Scientific and Cultural Organization showed that the poor quality and small scope of the secondary education system are obstructing educational development. Accordingly, in fiscal year 1968, AID will begin technical assistance to 17 consolidated high schools which will be constructed under a proposed World Bank loan and to five teacher training colleges. AID will continue technical assistance in national educational planning with emphasis on the completion of a higher education survey by the Colombian Association of National Universities.

Social Stability

The migration of rural residents to the cities is increasing pressures on urban services and housing.

While the Colombian Government plans to build 60,000 family units a year, it cannot begin to fill the housing gap without the help of private

capital. A mortgage system is being worked out by the Colombian Housing Institute and the Bank of the Republic with AID's technical assistance. This program will continue in fiscal year 1968.

AID is also proposing a loan to provide seed capital for the establishment of a national savings and loan association. Assistance in urban planning and slum clearance will continue as will assistance to the government's civic action and public safety programs.

DOMINICAN REPUBLIC

Prospects for economic development in the Dominican Republic have improved with the return of constitutional government although the nation faces serious economic problems. To help correct fiscal and balance of payments difficulties, national budget costs have been cut through substantial reductions in government salaries, and the import of luxury goods has been restricted.

Assisted by a $40 million AID loan, authorized following the 1966 elections, the Balaguer government embarked on a public investment program aimed at stimulating economic recovery and providing employment for up to 40,000 Dominicans, a program covering all sectors but giving emphasis to agriculture. The first priority has been increased efficiency of the government-owned Sugar Corporation and the use of excess sugar acreage for other productive purposes. President Balaguer plans to settle 70,000 families on government-owned lands with external financing and government funds.

The AID Program

AID's long-range approach to assistance to the Dominican Republic includes encouragement of tax reforms necessary to produce additional revenue for public investment and of measures that will stimulate private investment. At the same time AID will help the country formulate a broad development loan program in which international lending agencies will be encouraged to play an important role. Such a program would support agricultural credit, land settlement, community development, water resources development, education, and rationalization of state-owned enterprises.

The fiscal 1968 AID program in the Dominican Republic will concentrate on three priority areas—agriculture, industry and education.

Agriculture

Both loans and technical assistance will be applied to agricultural development as the first priority in the coming year. AID technicians in the field, including 33 on contract from Texas A. & M., will focus on rice, corn, beans and vegetable oils in an effort to raise production and reduce imports

of these basic commodities. Encouragement and assistance will be given to increase the production of other crops such as sisal and kenaf fibers. To improve and diversify the national diet, AID will direct assistance toward increasing livestock, poultry and dairy production. Winter fruits and vegetables also will be encouraged as export earners which can help reduce the balance of payments deficit.

Other assistance will be aimed at improving and expanding agricultural training facilities, extension services and research. Irrigation and forestry along with marketing programs are also on AID's list.

Loan funds may be made available for the establishment of a cooperative bank, while a community development program in rural areas will be accelerated with the help of a fiscal 1967 loan.

Industrial Developmeut

The Dominican Republic program aims to attract more foreign as well as domestic private capital into industrial enterprises related to agricultural development. AID will provide technical assistance for this program, which will include the preparation of legislation granting incentives to industrial investors. A private development bank is under consideration as another spur to industrial development.

Education

Educational goals for fiscal year 1968 include the training of primary and secondary schoolteachers, the upgrading of Dominican universities, and the expansion of vocational training for agricultural areas. AID's part in these programs will take the form of technical advice and a loan for school construction.

Other Fields

Technical assistance will also be provided to public administration, including tax and budget reform, organization and management, and the strengthening of local government. A growing Dominican concern with stabilizing population will be encouraged and technical assistance provided to groups interested in family planning.

PERU

Peru is attempting to modernize economically and socially through democratic methods, a process in which the United States has a vital interest and which it assists under the Alliance for Progress. General objectives of U.S. assistance are continued satisfactory growth of the private sector economy, improvement of public sector development investment, and the creation of sound institutions, efficiently manned, in key areas. Because three out of five Peruvians are Indians, for the most part

living in remote mountain areas, the problem of bringing them into meaningful relationship to national development is critical.

There are several significant obstacles to economic and social progress, among them strains in the economy which foreshadow future difficulties although growth continues at an impressive six percent annually. A decline in public savings has been paralleled by a rise in deficit spending. Currency has remained stable although prices rose nearly two-thirds in the last seven years. Public investment has concentrated on large-scale road construction and other major public works for which economic returns are realized only gradually. Implementation of public sector financial and investment programs has been of uneven quality.

In the area of social change political rivalries add to difficulties inherent in Peruvian society's traditional rigid structure. However, both the Belaunde administration and the opposition coalition dominating the legislature support economic and social reform, a fact that speaks well of the state of Peruvian democratic processes operating in a constitutional framework.

In the important field of agriculture, production is just keeping pace with population growth, in 1966 falling an estimated two percent below 1965. Unfavorable weather affected grain and potato crops in 1966 while lower world prices pushed cotton production downward. On the other hand production of food not subject to weather and increases in planted acreage are expected to improve the situation.

Recent Country Performance

The Belaunde government has moved ahead with expanded programs in supervised agricultural credit, agrarian reform, irrigation, road building, and community self-help projects aimed at higher agricultural production.

The government's agency for assisting small self-help projects is *Cooperacion Popular,* which has completed 3,000 self-help projects, has 4,000 underway and more than 11,000 pending applications. Basis of the program is initiative by citizens of villages and towns and the use of local labor and often local materials. Increased agricultural efficiency and dampening of rural migration to the cities, a factor contributing to food problems, are among hoped-for benefits.

The agricultural university at La Molina has become an outstanding educational institution of a type similar to U.S. land grant universities. Expanding its budget from $188,000 in 1960 to $4.3 million in 1965 while doubling its enrollment and strengthening its faculty, it is a major beneficial influence on Peruvian agriculture.

Farm credit has also broadened in Peru. Some 20,000 loans totaling nearly $17 million were made in the two-year period ending July 1, 1966, under a supervised agricultural credit program in which funds have been earmarked to reach 27,000 farmers annually in the future. Under a land reform law passed in 1964 approximately 100,000 families have received provisional title to the plots they farm and efforts are going forward to

transfer more land to low-income rural people. New landowners also receive farming advice through Peru's Agricultural Research and Extension Service.

Peru has achieved an impressive rhythm of economic growth—averaging six percent over the last five years—for which the extraordinary performance of private enterprise is largely responsible. It provides more than three-fourths of the gross national investment while earning foreign exchange needed for capital imports. The average ratio of investment to gross national product in the last five years has been 19 percent and domestic savings now equal 17 percent of GNP. Public sector expenditures meantime increased to a level equal to a fourth of GNP.

Peru continues to attract private investment and has recently received a growing influx of new capital in such fields as copper mining, natural gas and electric energy development, petroleum refining, tire manufacturing, steel production, highway construction and a wide range of light industrial activities. However, Peru must make a major effort to improve its fiscal performance if it is to make its own contribution to development through public sector savings rather than by recourse to inflationary borrowing from the banking system.

Aid From Others

Peru has also profited from attention to its development problems by other developed countries and by international lending institutions. Studies of Peru's balance of payments situation by international financing agencies show that even with sound internal economic policies the country will need high levels of outside capital assistance into the early 1970's. With World Bank leadership and AID support, a Consultative Group to coordinate aid to Peru was created in July 1966. It includes countries of Western Europe, Canada, Japan, the United States and the Inter-American Development Bank.

AID's program for Peru in fiscal year 1968 will consider total assistance available, including contributions by the World Bank and the Inter-American Development Bank. The former's loans have totaled $144 million since 1960 while the IDB has lent nearly $117 million. Further contributions have come from the United Nations, the Ford and Rockefeller Foundations and the Peace Corps, which had more than 400 volunteers in Peru during fiscal year 1966.

The country's National Industrial Apprenticeship Program has received equipment from Germany, Belgium, the Netherlands, Denmark, Great Britain, Switzerland and Spain. The National Planning Institute has been aided by experts from the Organization for Economic Cooperation and Development while Israel supplies technical assistance to the National Agrarian Reform Office.

Fiscal Year 1968 Program

AID's loan and Technical Assistance program in Peru in fiscal year 1968 will provide aid in such fields as agricultural credit and marketing, road construction, civic action, public education, fiscal administration and industrial credit.

AID will continue working with the Government of Peru in formulating improved public administration policies and procedures. Assistance will also be provided to improve customs administration, strengthen civil police forces and help the Institute of National Planning.

An integrated "breadbasket" program begun in fiscal 1967 to increase the flow of agricultural products to Lima from the far side of the Andes will be continued. It involves road construction, credit, school and medical facilities in addition to agricultural pricing, marketing, research and extension programs. The object is to effect basic changes in the lagging agricultural sector of the Peruvian economy, with AID's assistance concentrated on production of basic food staples, such as potatoes, beef and dairy livestock, beans, fruit and rice, and on continuing to help build agricultural institutions.

In the poor Indian communities of the high mountains the effective Peruvian small public works and local development programs under *Cooperacion Popular* will receive continued support.

Although Peru has expanded its universities and colleges over the last decade, higher education is inadequate for development. Thus AID is considering assistance to universities in fiscal 1968 in order to build centers of instruction in economics, business and public administration, engineerng and teacher training. It coordinates these efforts with the Ford Foundation and the Inter-American Development Bank, already working in this field.

AID will continue technical assistance support of previous projects in public education, vocational training, business administration, population growth, private enterprise and labor development. In the field of population growth AID considers its role as catalytic, confined to providing advice, guidance, training and educational materials.

CENTRAL AMERICAN COMMON MARKET

The basic United States objectives in Central America are to help Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua move more rapidly toward economic integration, and to assist in developing the Central American Common Market into a broader economic community.

There are still substantial obstacles to economic integration of the five countries. Governments have been slow to commit financial resources and delegate authority to regional institutions; protectionist interests still resist establishment of a common policy for industrial development and free move-

ment of labor; about half of the 12 million people of the region remain largely outside the money economy.

Further, even if economic integration is fully achieved, the Central American Common Market will be small. However, this difficulty may be overcome by bringing more of the population into the economy, by extending Common Market membership to other countries, or by associating with a broader trading area such as the Latin American Free Trade Association, which promotes economic integration of 10 South American countries and Mexico.

Despite the continuing obstacles to economic integration, the Central American countries have made significant progress. They have established a number of regional institutions, including a Permanent Secretariat for Economic Integration, the Central American Bank for Economic Integration (CABEI) and the Organization of Central American States (ODECA). A common external tariff has been set on all but 14 commodities and restrictions on trade between member countries have been removed on items which constitute about 95 percent of the region's internal commerce. As a result, trade among the five countries increased from $37 million in 1961 to $133 million in 1965.

A recent major advance was establishment of a CABEI-administered Fund for Economic Integration which will finance regional highway and other projects strengthening the economic base of the area. The fund began an initial 18-month program with $42 million in capital, including $35 million lent by the United States and $1.4 million by each Central American country.

The Central American governments also have established broader cooperation among themselves. Their foreign ministers now serve as an executive council of ODECA while other councils dealing with culture, labor and social welfare have been created.

Fiscal Year 1968 Regional Program

AID assists regional activities of the Central American governments through a Regional Office for Central America and Panama (ROCAP), headquartered in Guatemala City.

In fiscal year 1968, AID technical assistance through ROCAP will concentrate on regional health, population and education programs and on improved coordination in development planning, statistics, customs procedures and administration.

AID technical assistance to health programs will emphasize malaria eradication and studies showing the economic effects of unrestrained growth in populations. In support of education, the AID program will give primary attention to improvement of universities, assistance to specialized education such as veterinary medicine and sanitary engineering, and the preparation and distribution of elementary textbooks. AID will also support regional manpower studies and training of workers.

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AID will provide development loans for important regional infrastructure projects through the Fund for Economic Integration. The Inter-American Development Bank (IDB) and the World Bank also may finance regional projects.

Country Programs

While supporting economic integration as a sound basis for regional development, the United States is also concerned with serious problems of the individual Central American countries. For this reason, the major part of AID funding in Central America is for activities undertaken through bilateral programs.

Progress and problems of the Central American countries, and proposed AID assistance to them in fiscal 1968, are discussed in the following sections.

Costa Rica

Costa Rica has been making good progress toward social goals of the Alliance for Progress. For example, medical services are now available to most Costa Ricans and nearly one-fourth of the entire population is attending school (about one-half of Costa Rica's people are under 16 years of age). However, the country has not made comparable economic gains. Gross national product per capita increased only 0.7 percent annually from 1955 to 1965. Revenue increases of about 10 percent a year since 1961 have been more than offset by increased governmental expenditures resulting in large budget deficits.

All future AID loan assistance to Costa Rica will be contingent on improved economic performance, a matter in which AID works closely with international agencies. Loans from the World Bank and foreign exchange assistance from the International Monetary Fund, for example, depend on holding down Costa Rican governmental expenditures, achieving a substantial increase in tax collections, and making other fiscal improvements.

AID assistance to Costa Rica in fiscal year 1968 will focus on help with tax and customs administration and property registry. AID will also continue to assist agricultural and industrial planning, population studies, and projects stimulating community development and food production in two rural provinces.

El Salvador

El Salvador, the smallest in area of the Central American countries, has been a model for other Alliance nations. Its development program, already producing steady economic and social progress, now emphasizes increased and diversified food production, better education and health services, and rural self-help projects. El Salvador also maintains a favorable investment climate to spur growth of private industry.

The country's gains in agricultural and food production are especially noteworthy. In 1966 Salvadoran farmers doubled their use of an improved

corn seed developed with AID assistance. Corn production is expected to increase to 276,000 metric tons in the 1966–67 crop period compared with 203,000 metric tons in the 1965–66 period and 191,000 metric tons in the 1964–65 period. The AID program has also contributed to wider use of commercial fertilizer, greater access to farm credit, and expansion of El Salvador's agricultural extension service. A comprehensive agrarian reform project, begun by the government in fiscal year 1966, includes land distribution to more than 1,000 families a year.

The Salvadoran Government has also taken major forward steps in education and health, and has established a national home loan bank to encourage and support construction of middle-income housing.

AID will continue technical and loan assistance to El Salvador's development program in fiscal 1968. Technical assistance will be in such key areas as agricultural and educational planning and training, tax policy and fiscal administration, population studies and family planning programs, and rural development. AID has scheduled loan assistance to middle-income housing programs and to projects that will raise farm productivity, helping El Salvador toward her objective of a 50 percent increase in food production by 1970.

Guatemala

Though not the largest of the Central American countries, Guatemala contains one-third of the region's population and a substantial part of the resources of the regional economy. However, relatively few of Guatemala's people have benefited from economic development. Over one-half are impoverished Indians, and nearly two-thirds of the people can neither read nor write.

The popularly-elected Guatemalan Government which took office in July 1966 has adopted an encouraging approach to major development problems. It is pressing forward with development projects, has arranged new financing from AID and international lending agencies, and has increased tax revenues. It also has shown interest in community development and land reform programs in isolated rural areas.

AID assistance in fiscal year 1968 will support Guatemala's strengthened approach to development. Technical assistance will go to development planning and public finance. AID will provide both technical and loan assistance to agricultural and rural development projects and to educational programs with priority for teacher training, schooling for Indians, and improvements in higher education. The IDB and World Bank may participate in financing school construction.

Honduras

Honduras is the least developed of the Central American countries. Its transportation, communications and power networks are insufficient for economic expansion, many rural people live at little more than a sub-

sistence level, and the country has had difficulty establishing an effective development policy.

On the other hand, Honduras is advancing in several important areas. The Honduran Government is carrying out a coordinated rural development program which includes agricultural credit, seed and livestock improvement, and poultry development. With AID's help, 67 credit unions have been organized and are providing needed credit to nearly 10,000 farm and other families. The Honduran Government has established a national family planning program, has improved educational and health facilities, and is instituting needed changes in tax laws and public administration.

In fiscal year 1968, AID plans technical and loan assistance in support of Honduras' five-year agricultural development plan. Primary emphasis will be placed on rural development, strengthening of agricultural extension and research services, improvement of livestock and establishment of rural cooperatives.

In support of education, AID proposes technical assistance for the preparation and distribution of primary textbooks, teacher training and improvements in university and secondary education. Loan assistance for expansion of university facilities will be considered. AID will also continue its help with health and social services, including establishment of mobile rural health facilities, improvement of water supply facilities, and extension of the Honduran family planning program.

Nicaragua

Nicaragua, with one-third of the geographic area of Central America, has extensive land resources in relation to a population of only 1.7 million. The country has made excellent economic progress and achieved substantial social and political gains. Gross national product increased by 10.2 percent in 1965, continuing a rise averaging more than eight percent annually since 1960.

The spirit of self-help generated by the Alliance for Progress is clearly evident in Nicaragua. Alliance committees have been organized in each of the country's 16 departments and in individual communities. The community committees are the guiding force behind such self-help projects as construction of schools, health facilities, water systems, bridges and roads.

The Nicaraguan Government has begun a program of technical assistance and loans to 30,000 Nicaraguan farmers who are unable to borrow from other sources. It is also constructing low-cost homes and primary schools and improving tax administration. With assistance from a U.S. Internal Revenue Service team working under AID contract, the government increased tax collections in 1965 by more than 23 percent over 1964.

The AID program proposed for Nicaragua in fiscal year 1968 will continue technical and loan assistance for self-help development, including cooperative activities in agricultural marketing and supply, rural electrifica-

tion, credit and housing. AID will also help with agricultural development programs and with tax and public administration.

In support of education, AID advisers will help improve Nicaragua's primary and secondary school systems and the training of teachers. Loan assistance will be considered for an expansion of vocational education and medical training facilities. AID health assistance will help improve rural medical programs, nutritional education and population studies.

OTHER LATIN AMERICAN PROGRAMS

With 90 percent of AID's economic assistance to Latin America in fiscal year 1968 to be concentrated in five South American countries and Central America, more modest programs will continue in other Latin American countries.

Argentina

Argentina's efforts to overcome administrative and budget problems and to advance technological and agricultural development will receive continued technical assistance from AID.

Contract advisory services for the improvement of tax administration and the formation of a national budget bureau will continue. Assistance to modernize customs procedures and tax administration in the Province of Buenos Aires has been requested and may be undertaken during fiscal year 1968. Consultants from Texas A. & M., Michigan State University, and the National Academy of Sciences will continue to work with agricultural institutions to improve technology and economic planning and eradicate foot-and-mouth disease.

An educational program on free trade unionism will be continued by the American Institute for Free Labor Development (AIFLD), while Bucknell University will complete a 1967 contract to help strengthen engineering studies at the University of Cordoba.

Bolivia

The Government of Bolivia, with AID assistance, is carrying out fiscal and administrative measures aimed at overcoming budget deficits and production bottlenecks.

An increase of 5.5 percent in the gross national product in 1966 improved the nation's capacity to finance the rehabilitation of the nationalized tin mines, which are now paying taxes for the first time.

The private sector of the mining industry is also expanding, with an increase of $39 million in new investment applications. Government efforts to encourage private mining investments will continue to receive AID support in fiscal 1968 through loans financing access roads and credits for smaller mining enterprises.

Rural development and education are also to receive development loans. One will finance engineering designs for the reconstruction of the road from Oruro to Cochabamba, the final link in a chain of AID-financed roads joining Bolivia's major cities with new farming sites. Another will finance machinery and storage facilities for wool, wheat and rice farmers. A third development loan will pay for the preliminary stages of a school building program aimed at overcoming the nation's serious trained manpower deficiencies.

Technical assistance will continue in support of all these areas of activity. In addition, AID will maintain technical assistance projects providing advisory services in economic planning, government budgeting, tax and customs administration and legislation, census and statistics, management training, and the building of a civil service system.

Other efforts are under way to help reorganize the commercial banking activities of the Central Bank (in collaboration with the International Monetary Fund) and to encourage private savings through the promotion of credit unions and a central savings and loan bank planning operation in the housing field.

Supporting Assistance to Bolivia will be discontinued in fiscal 1968.

Ecuador

Chronic budget deficits continue to retard Ecuador's development program despite improvements in its balance of payments position.

Agricultural development—considered the solution to both problems—will receive most of AID's technical assistance in fiscal year 1968 with projects geared to improving agricultural planning and the quality of exports. Efforts will be made to strengthen agricultural cooperatives, the agrarian reform program and the farm credit system. A development loan is proposed to finance machinery and supplies for Ecuadorean farmers.

The Universities of Pittsburgh, Houston and St. Louis will continue to work with the three largest universities in Ecuador to improve administration, budgeting, curricula and teacher training. A project in the Ministry of Education is helping to improve educational planning. A loan is being considered by AID to improve the secondary education system in fiscal 1968.

AID's technical assistance projects in Ecuador are also directed toward improving public administration, strengthening free labor unions, and increasing the effectiveness of the police in maintaining internal security.

Guyana

AID's program for Guyana in fiscal 1968 will continue to give major attention to agricultural development. With AID assistance, Guyana is seeking to modernize agriculture, particularly rice production, and to increase agricultural exports. Rice sales already earn 14 percent of the country's

foreign exchange. AID will consider authorizing a loan in fiscal 1968 to finance construction of farm access roads.

Related to the development of agriculture is the proposed establishment of a Youth Corps in areas being opened to farming. In addition to providing jobs for unemployed youths, the project would develop skills needed in the new settlements. The Youth Corps would be established with the help of an AID loan. AID will also consider authorizing a loan for construction of potable water systems in rural areas.

Ninety percent of Guyana's population lives along the coastal strip which lies below sea level at high tide. AID has under consideration a loan to replace defective sections of the sea-wall.

Both the Ministry of Agriculture and the Guyana Development Corporation will continue to receive AID-financed technical assistance in fiscal 1968. The Development Corporation was created to find and promote opportunities for private industry. AID will also continue assistance to Guyana's public safety program.

Haiti

AID's program in Haiti was terminated in fiscal year 1963 except for a malaria eradication campaign administered jointly with the Pan American Health Organization, the United Nations Children's Fund, and the Haitian Government. Hurricane damage and technical difficulties have delayed the spraying operations, necessitating further Supporting Assistance from AID in fiscal year 1968. AID also supports a pilot project in community development administered by CARE.

Jamaica

Jamaica will receive AID loans to improve the production and marketing of food crops and expand vocational training facilities. Technical assistance will also be made available to agriculture and education. The education program includes AID-financed assistance in teacher training from San Diego State College, and grant support for an educational television program now serving 200 public schools.

Other technical assistance programs scheduled in fiscal year 1968 include aid for educational aspects of the government's family planning program; for the economic planning divisions of the government, which are drawing up a five-year development plan; and for the public safety efforts of the Jamaican Constabulary Force.

Mexico

Mexico is beginning to share its economic and technical resources with its Central American neighbors. In additon to purchasing $1 million worth of bonds from the Central American Bank for Economic Integration, the Mexicans have extended $5 million in commercial credits to the bank.

In view of this, and the country's ability to finance its own development from international sources, the AID program in Mexico is limited to tech-

nical assistance. In fiscal year 1968, the program will assist in administering projects financed by previously authorized development loans for housing, agricultural credits and university administration. Another project will provide training in trade union leadership.

Panama

Panamanian programs to alleviate urban poverty and unemployment will be continued and expanded with AID assistance in fiscal 1968. New programs will be launched to raise agricultural productivity, stimulate the formation of cooperatives, encourage community action and improve marketing facilities.

A series of loans will be used to help expand the government's rural development program, increase the production of livestock, dairy products, coconuts and other cash crops, and establish a cooperative bank. The resettlement of unemployed city dwellers in rural areas is also planned with AID's help.

In the cities, where rising unemployment aggravates a pattern of social unrest, AID plans Supporting Assistance and development loans to bring better public services to slum sections and set up facilities to train unskilled workers in new vocations.

Development loan assistance will be provided to the privately-funded Santa Maria La Antigua University for the construction and equipment of science and library facilities. The university will also receive AID technical assistance. In addition AID will assist the government's planning office and will help improxe tax administration and procurement policies.

To encourage the development of private industry, AID is considering loan financing for the capitaliaztion of independent savings and loan associations. Technical assistance will be continued to two private institutions that promote Panamanian exports and private investments—the Panamanian Development Institute and the National Council on Private Enterprise.

Paraguay

In view of Paraguay's commitment to undertake more vigorous self-help efforts in tax and budget reform, AID is considering development loans to help finance farm-to-market roads, agricultural credit, and the establishment of a private development bank.

Advisory services from the U.S. Department of Agriculture will be continued, with emphasis on the Ministry of Agriculture's reorganization plan.

The AID technical assistance program also will support national efforts to improve educational services at the elementary and university level. The government will receive technical assistance for its efforts to improve fiscal administration and budgeting procedures and to increase tax revenues.

AID will continue to help the nation's new productivity center to encourage private investment.

Uruguay

With its return to a single executive form of government, Uruguay has adopted a number of self-help measures which clear the way for economic development.

AID will support this effort in fiscal year 1968 with loans designed to bolster the agricultural sector by facilitating imports from the United States, and with technical assistance in the use of modern agricultural technology. Institutional changes will be encouraged in carrying out the agricultural development program.

The deficiency of trained teachers in Uruguay is another problem being attacked with AID's help. Under contract to AID, U.S. advisors are helping to study the secondary education system to recommend ways to improve it.

The American Institute for Free Labor Development (AIFLD) will continue the training of union leaders, as well as assistance to housing and other projects. Public safety improvement programs also will continue to receive technical assistance from AID.

Venezuela

Venezuela continues to expand its role as a donor of technical assistance to other Latin American countries in such fields as vocational and management training, community development, supervised agricultural credit and rural education. Its own need for technical assistance is now limited to public safety programs and selected areas of public administration, education and housing. AID will continue its help to these programs in fiscal year 1968, in addition to administering previously authorized development loans. The loan program was discontinued in fiscal year 1963 because of Venezuela's ability to obtain external financing from international sources.

LATIN AMERICAN REGIONAL PROGRAM

The Latin American Regional Program supports technical assistance projects that are of benefit to more than one country or that are carried out through multilateral institutions.

Assistance to Multilateral Organizations

The largest single program comprises projects in agrarian and fiscal reform, social security, science education, and other fields selected by the Organization of American States (OAS) and financed by its Special Development Assistance Fund. The Special Fund is supported by the United States and the Latin American governments in a ratio of 66 percent to 34 percent respectively.

Assisted by AID grants since 1957, the Pan American Health Organization (PAHO) campaign to eradicate malaria from the hemisphere is

being carried out in 22 Latin American countries. The program has led to the eradication of malaria in areas with a population of more than 15.5 million. The program has arrested the transmission of the disease among another 33.5 million people. Spraying operations and treatment programs continue in areas where an additional 41.2 million Latin Americans live.

Population and Family Planning

With Latin American interest in population matters growing, AID plans an enlarged technical assistance program for regional population studies and family planning activities during fiscal year 1968.

Representative of these activities are those of the Population Council which is supporting studies of biomedical, sociological and economic aspects of fertility patterns and population growth rates, as well as the acceptability of various birth control techniques. Another project provides support to the Latin American Demographic Center for training, research and technical assistance.

Assistance is provided through a contract with the University of North Dakota to develop academic capability in selected Latin American universities to perform research and analysis in family sociology and to train faculty members and students in these fields.

Education and Agriculture

The Regional Technical Aids Center in Mexico City, which facilitates textbook distribution in Latin America, will receive AID support in fiscal year 1968 for such activities as the production of new Spanish texts, reduction of retail prices of textbooks and establishment of textbook and film rental programs.

AID is also proposing continuation of its support of the training and extension activities of the Inter-American Institute of Agricultural Sciences at Turrialba, Costa Rica, and will provide further assistance to the Latin American Scholarship Program of the American Universities (LASPAU).

A regional AID contract with the American Institute for Free Labor Development (AIFLD) supports the free, democratic trade union movement in Latin America with worker education, housing and other programs in 18 countries.

Barbados and British Eastern Caribbean Islands

On November 30, 1966, Barbados became independent from British rule, and in February 1967, the British Leeward Islands (Antigua and St. Kitts) and Windward Islands (Dominica, Grenada, St. Lucia and St. Vincent) became quasi-independent states.

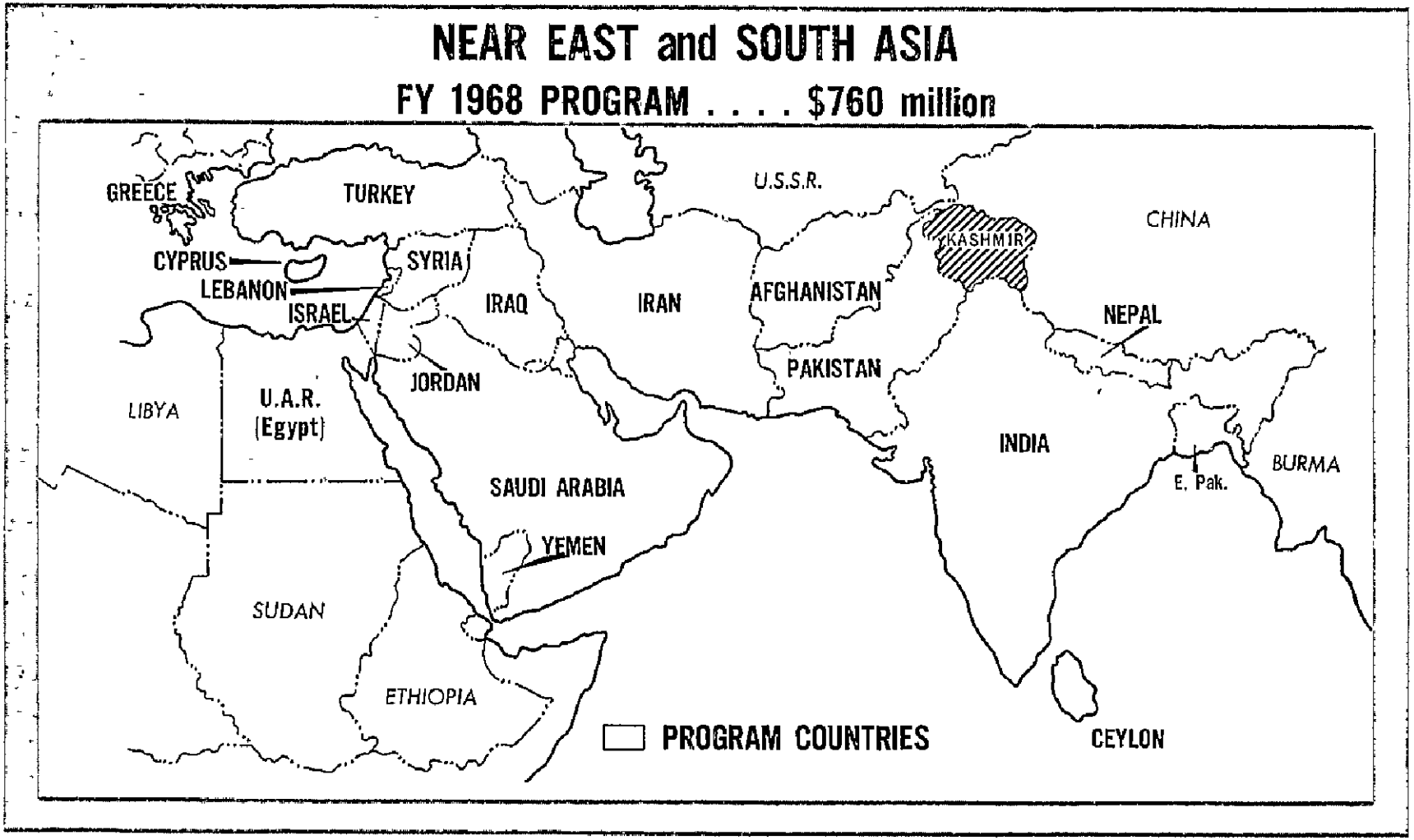
In anticipation, the United States, the United Kingdom and Canada surveyed the economic conditions of the islands and assessed their development possibilities. The economists concluded that aside from tourism, which

should be developed primarily by the private sector, development depended largely upon a regional approach to common economic problems.

AID is prepared in fiscal year 1968 to give limited technical assistance to such efforts through effective self-help institutional arrangements. The United States also will consider financial support for a regional financial institution which would include other Caribbean countries such as Jamaica, Trinidad and Guyana.

'Summit Conference' Projects

AID plans commitments to cover the initial costs of several new programs on the agenda of the "meeting of the Presidents" at Punta del Este in April 1967. These include proposed Multinational Institutes of Science and Technology, an Inter-American Foundation for Science and Technology, a proposed Inter-American Export Promotion Agency, an Inter-American Training Center for Educational Broadcasting, an educational television demonstration project in Central America, and expanded scholarship programs.


NEAR EAST and SOUTH ASIA
FY 1968 PROGRAM . . . . $760 million
GREECE
TURKEY
U.S.S.R.
CHINA
KASHMIR
CYPRUS
SYRIA
LEBANON
ISRAEL
IRAQ
IRAN
AFGHANISTAN
NEPAL
PAKISTAN
JORDAN
LIBYA
U.A.R.
(Egypt)
INDIA
BURMA
E. Pak.
SAUDI ARABIA
YEMEN
SUDAN
ETHIOPIA
PROGRAM COUNTRIES
CEYLON

VIII. THE NEAR EAST AND SOUTH ASIA

In the Near East and South Asia region—stretching from Greece on the west to India and East Pakistan and Ceylon on the east, and bordered on the north by the Soviet Union and Communist China—the United States seeks to build stability and independence through economic, social and political progress.

The objective: peaceful cooperation within the region and enduring friendly relations with the free world.

To this end, AID proposes cooperative programs in 8 of the 18 Near East and South Asia countries designed to assist efforts to meet the urgency of rising expectations and rising populations.

About 90 percent of the total program, however, is planned for India, Pakistan and Turkey. Such concentration will continue a pattern of several years' standing. The three nations have undertaken broad new development programs and policies, have made effective use of U.S. assistance and have sought and used help in planning development policies, as well as economic support, from multilateral institutions and other countries.

Smaller programs are planned for Afghanistan, Ceylon, Jordan and Nepal, while limited technical aid is proposed for the United Arab Republic. For Iran, the AID technical assistance program will end in the fall of 1967. The U.S. assistance program for Yemen was withdrawn in April 1967, following Yemen's abrogation of the bilateral aid agreement with the United States.

The AID development program pursues the eventual day when all countries of the region will be able to move ahead without external aid on concessional terms. To speed progress toward that goal, the AID program emphasizes:

- Removing impediments to agricultural growth;
- Controlling population growth;
- Improving skills and training manpower;
- Liberalizing import controls;
- Developing competitive exports.

With U.S. support and help from other nations and institutions, new efforts under way in many of the countries point to increasingly important results in the coming year.

A prerequisite for real development is, of course, initiative and self-help from the developing nations. However, technical assistance from outside and loans on softer-than-normal terms will continue to be needed to provide the vital margin above each country's own efforts.

The Near East and South Asia region, with more than a fourth of the world's population in an area somewhat larger than the United States, has problems that are pressing both in severity and in the time left to solve them.

The per capita income averages only about $100 a year—compared with nearly $3,000 in the United States.

There are 730 people per physician in the United States; there are nearly 6,000 people for every doctor in India, and the figure for Nepal is over 42,000.

But the most alarming figures involve the rapid increase in the pressure of population on the land—resulting in too little food for too many mouths. At present rates of growth, India, Pakistan and Turkey—now with about 650 million people—will double their population, to more than 1.2 billion, in about 28 years. Food production can be vastly increased, but that alone will not bring a permanent solution. Population growth in those three countries—now averaging more than 2.4 percent a year—must be brought under control. By comparison, in the free world generally, the population growth rate is 2.1 percent; in the United States it is 1.5 percent.

Food production and family planning are high on the list of priorities of the AID program proposed for the Near East and South Asia in fiscal year 1968.

MULTILATERALISM AND BURDEN SHARING

Since 1962, most U.S. aid to India and Pakistan has been channeled through consortia led by the World Bank and composed of the United States, Britain, Germany, France and other industrialized nations. A similar consortium used to coordinate assistance to Turkey is led by the Organization for Economic Cooperation and Development.

The consortia advise on development planning, estimate foreign exchange needs, and pledge annual levels of assistance. Consortia can avoid the duplication of effort and differences in emphasis that might result from uncoordinated bilateral aid. A consortium normally is in a better position than a single nation would be in urging policy improvements on a recipient country. Moreover, the consortium is a forum where developed nations can be pressed to assume or maintain their "fair share" of the total aid.

The World Bank-administered Indus Basin Development Fund in Pakistan and the Keban Dam syndicate in Turkey are examples of multilateralism applied to specific cooperative projects. These can energize more intensive development than normally occurs in a bilateral project.

The United States contributes about 45 percent of the funds for the Pakistan consortium, and about 40 percent for the India and Turkey consortia.

U.S. aid to Ceylon is coordinated through a multilateral group sponsored by the World Bank.

Other U.S. assistance in the region is bilateral—but even so, coordination with other donors is effected. For example, the United States and Great Britain meet annually to coordinate their aid to Jordan, and AID consults with India on the assistance program for Nepal. Consultations are held continuously with UN Technical Assistance Missions in most countries in order to avoid conflicting emphases or duplication.

THE GROWING BURDEN OF DEBT

The net flow of development aid to the Near East and South Asia is being eroded by mounting debt service payments on foreign loans. For example, India paid $88 million in amortization and interest in 1960, and by 1970 the figure will climb to $374 million. Comparable figures for Pakistan are $25 million in 1960, and $126 million by 1970. The 1970 figure is expected to be more than 30 percent of Pakistan's total external aid level.

FISCAL YEAR 1968 PROGRAM

AID's proposed fiscal year 1968 total of $759.9 million in economic assistance for 8 countries, the Central Treaty Organization and regional projects in the Near East and South Asia, will support significant economic reforms in India and Pakistan and continuing development programs in Turkey and other countries of the region.

Development Loans

Of the development loans, about 80 percent will finance general commodity imports from the United States. They will provide fertilizers, pesticides and agricultural tools and equipment to help raise farm production, and equipment, raw materials and spare parts for industry. The other 20

Near East and South Asia Program Summary

(Millions of Dollars)

	Fiscal year 1966 actual	Fiscal year 1967 estimated	Fiscal year 1968 proposed
Development Loans	$576.2	$443.8	$686.0
Technical Assistance	43.8	42.2	47.0
Supporting Assistance	34.8	32.4	26.9
Contingency Fund	8.3	.8	...
Total	$663.1	$519.2	$759.9

percent of the loans will go into specific projects—for example, to increase the electric generating capacity at Mangla Dam in Pakistan, to provide equipment to boost the power supply from the Sharavathi Valley Power Project in India, and to help finance the development of a potash industry in Jordan.

Technical Assistance

AID proposes increased technical assistance to agriculture, education and health, including family planning. For example, AID plans to increase assistance to India's government-university research and extension programs in agriculture. In both India and Pakistan, AID will expand training programs for family-planning nurses, health educators and administrators. A new regional cholera control program will improve the quality of locally-produced vaccines, and will train public health workers in new methods of disease identification, prevention and control.

AID will continue to emphasize manpower training as a key requirement for development. It will finance training at the American University of Beirut for about 500 students from the Near East and South Asia, including an increased number from Turkey and Pakistan.

U.S. assistance has enabled the Indian Institute of Technology at Kanpur to set the standard for engineering education in India. Stepped-up aid will help the Afghan Institute of Technology to train more middle-level technicians, mechanics and foremen.

With continuing need for better government budgeting and more effective tax administration, AID specialists will continue to provide technical assistance in these fields in Turkey, Pakistan, Afghanistan, Jordan and Nepal.

Supporting Assistance

Supporting Assistance will be limited to Jordan, whose independence is vital to U.S. interests in the Middle East. The downward trend of this program will continue.

SELF-HELP FOR DEVELOPMENT

AID and other consortia members have emphasized self-help as a condition for continued assistance to the countries of the Near East and South Asia. Following are some major self-help accomplishments of the principal aid recipients:

India

India accepted several economy-strengthening proposals developed by the World Bank and endorsed by the United States. In June 1966 the government devalued the rupee and overhauled and liberalized the complex foreign trade and exchange control system, enabling priority industries to

obtain vital imports. Two months later, an export promotion program was announced. Foreign exchange and domestic goods and raw materials were allocated to priority export industries. Simultaneously, agricultural development was given new emphasis. Fertilizer procurement was increased 85 percent over the 1965 level, and steps were taken to encourage domestic and foreign firms in fertilizer production and distribution. Farmland reclamation has been expanded; seed and pesticide availability has been greatly increased. Finally, India is proposing to quadruple its rate of investment in family planning.

Pakistan

Pakistan's fiscal year 1967 development budget was increased by nearly a third over the previous year's figure. The government has reinstated import liberalization policies. Private investment in the fertilizer and pesticide industries is being actively promoted.

To boost agricultural production, Pakistan dramatically increased the use of fertilizer, is encouraging private and foreign investment in fertilizer, and is shifting its distribution from public to private hands. Soil reclamation and tubewells are adding new land for cultivation. Small public works projects are being carried out under local leadership in the villages.

Pakistan's public health program includes an AID-assisted family planning effort which has resulted in a current rate of 50,000 intra-uterine device insertions per month.

Turkey

Turkey seeks by 1973 to be independent of outside aid on concessional terms. Monetary policies have controlled the expansion of credit, and favorable exchange rates for remittances from Turkish workers in Europe have markedly increased foreign exchange receipts. Commodity exports have increased in recent years, but a continuation of the growth will depend on new efforts.

The gross national product in Turkey increased 8.3 percent in 1966, partly as a result of a record harvest. This was one of the highest growth rates recorded in the region.

NEW INITIATIVES: AGRICULTURE, EDUCATION AND HEALTH

More than a third of AID's loans and technical assistance to the Near East and South Asia in fiscal 1968 will help to:

- Increase food production and attack malnutrition;
- Broaden education and improve its quality;
- Start or expand family planning and anti-malaria and anti-cholera programs.

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Agriculture

The loan programs for the region include commodity credits, which finance U.S. fertilizer, agricultural equipment, and materials for the manufacture of insecticides and pesticides, and project loans, which finance such facilities as dams, irrigation canals and tubewells to provide water, bring new lands under cultivation and increase yields.

One-fourth of all the American technical advisors in the major countries of the region work in agriculture. More Near Eastern and South Asian students of agriculture receive training in the United States and elsewhere under AID sponsorship than those in any other type of training. Education and health trainees are next in number.

AID agricultural assistance will concentrate on areas having high potential because of such factors as good soil and availability of water. AID is helping to conduct demonstrations of farm improvements in India, Pakistan, Turkey and Afghanistan and to develop research and advanced training in agricultural universities in India and Pakistan. AID technicians also are working with the governments of Turkey and Jordan to improve credit and marketing facilities.

Food shipments under the Food for Freedom program will continue to be needed. The program continues to be an important lever in persuading the countries to improve their own efforts to increase farm output. Donated food and local currency generated from food sales are used to pay workers on local projects that help agriculture.

Two other tools of the AID program—investment guaranties, which protect U.S. private investments in developing countries, and local currency loans—are used to encourage development of fertilizer plants and facilities for food production, processing, storage and marketing.

Education

The substance of education is changing, in the Near East and South Asia, along with methods of teaching, from the traditional to the more practical modern. Higher education instruction and educational planning are principal areas of U.S. technical assistance in the more advanced countries. For example, Summer Science Institutes held in India and Pakistan have changed teachers' approaches to science and mathematics. The Institutes, modeled on those conducted in the United States by the National Science Foundation, are replacing the traditional rote memorizing with experimental and demonstrational techniques that provide training more useful in nations striving to modernize.

In India, the Institutes are attended by teachers from universities, advanced technical schools and secondary schools. Beginning in the summer of 1967, the National Science Foundation will be responsible for an enlarged Institute program. AID has loaned India $12 million to finance im-

ports of books, teaching aids and laboratory equipment, and to assist Indian universities and engineering schools.

In Pakistan, AID helped to start the summer Institutes during fiscal year 1966, and plans to continue and expand them.

In Turkey, AID is considering grant and loan assistance to expand the Middle East Technical University, which was founded in 1959 and now is considered one of the best technical institutions in the Near East. AID also plans to help the government develop a comprehensive education plan.

Secondary and technical schools will get major emphasis in Nepal. In Afghanistan, AID will continue to assist the Afghan Institute of Technology as well as the schools of agriculture, education and engineering at Kabul University.

Health and Family Planning

Family planning and communicable disease control are top-priority activities of AID's public health program in the major aid countries. In India and Pakistan, AID advisory teams including doctors, nurses, health educators and demographers are working with family planning agencies, organizing medical and statistical research programs, developing training manuals, and counseling medical and administrative staffs. Training in the United States, Korea and Taiwan is planned for 75 Indian and 50 Pakistani health personnel in 1967 and 1968. India and Turkey are being helped to increase production and improve quality of vaccines, serum and drugs.

In Turkey, an AID loan is financing the purchase of jeeps and audio-visual equipment for mobile public health and birth control clinics.

PROMOTING PRIVATE ENTERPRISE

Development loans, technical assistance, investment guaranties and local currency loans all contribute to the AID objective of encouraging private enterprise and a free market system in the Near East and South Asia. AID has authorized a total of nearly $130 million in loans to development banks which extend credit and provide services to private enterprise. Loans for dam construction and power generation in India, Turkey, Pakistan and Afghanistan have brought needed electric energy to private industry, while loans and technical assistance to improve the transportation and communications networks have provided other basic services needed for growth of private business. New highways and expanded and improved railways in India and Pakistan are outstanding examples of such services.

Governments in the region have been encouraged to use economic policies conducive to private investment, to liberalize imports and otherwise improve the "climate" for private business. India, Pakistan and Turkey all have encouraged U.S. investments and joint ventures in oil refining, production of fertilizer, pharmaceuticals, vehicles, tires and other manufacturing.

During fiscal 1966, AID made 22 local currency loans, totaling $27.3 million, to start or expand private industries in such fields as rubber products, aluminum, chemicals, cement, power generation and fisheries.

INDIA

The United States is determined to help India stand as a steadying influence in South Asia and as a demonstration to other Asian countries that a working democracy can solve a nation's problems and bring a better life to its people.

AID programs underline this determination by bolstering economic and social progress.

The obstacles to progress in the world's largest democracy are many and complex. During most of India's economic development history, heavy industry has been emphasized at the expense of agriculture. Restrictions on imports and on private enterprise, militating against free markets, have inhibited growth. While there has been liberalization, strong prejudices against the reforms remain.

For the past several years, India's food grain production has failed to keep up with the needs of the country's population, which has been growing by 10 to 11 million per year. This chronic deficit, which even in the bumper crop years prior to 1965 necessitated heavy imports of food, aggravated during the past two years by severe drought. Total grain crops principally from the United States under the Food for Peace program, was were reduced in 1965 and 1966 to 72 and 76 million tons, compared to the previous three-year average of 82 million. The State of Bihar has been declared a famine area. Regardless of the vagaries of the weather, substantial increases in food crops are imperative to keep up with the growth rate of almost 2.5 percent in the world's second largest national population, now at about 500 million.

An ever-present threat to peace and stability is the strain between India and Pakistan over the disputed Kashmir territory.

Despite such formidable problems, India has made progress. AID, in seeking to speed up the momentum of development efforts, will push for greater food production, slower population growth, further reduction of administrative controls, and greater reliance on a free market. American assistance is coordinated through a consortium led by the World Bank and composed of 10 industrialized nations—Austria, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, the United Kingdom and the United States.

Self-Help and Progress With U.S. Assistance

Although continuing huge food shipments to "tide India over," as President Johnson said in his Message on India Food of February 2, 1967,

the United States is pressing not only for international coordination of food aid through the World Bank consortium but also for a total, comprehensive program of aided self-help in domestic food production, with self-sufficiency as the goal.

The "bold program of agricultural modernization" to which the Indian Government is committed, "is the foundation for the entire international effort to help India," the President's message declared.

The Indian Government now has given agriculture top priority. The June 1966 devaluation of the rupee and liberalization of imports—including special arrangements for import of fertilizers and other materials needed for farms, faster issuance of licenses, and cutting of much red tape—are the start of a serious effort that is already proving its value.

India also has:

- Imposed food rationing for more effective use of existing food supplies;
- Speeded up transportation to improve distribution of food;
- Increased prices paid to the farmer to provide greater production incentives;
- Begun large-scale production with new high-yielding varieties of rice from Taiwan and wheat from Mexico.

At the opening of the 1967 session of Parliament in March, a new thrust for family planning was announced by President Radhakrishnan, who said the Indian birth rate had passed the "danger signal," and by Prime Minister Gandhi, who urged renewed efforts "before we are submerged by sheer weight of numbers."

Their words of urgency and warning followed government and other family planning programs in fiscal 1966 under which birth control measures were taken by more than 1.3 million Indians, including more than 800,000 who received intra-uterine device (IUD) insertions. These results and a step-up of IUD production by the government to 30,000 a day were among the modest but progressive steps achieved in support of India's campaign to cut the annual birth rate from 40 per 1,000 (the 1966 rate) to 25 per 1,000 by 1975.

India's Fourth Plan (1966–71) is one in a series of five-year development plans that began in 1951. Under the first three plans, overall economic growth averaged about four percent a year. Industrial production grew at six percent a year; agricultural production at about three percent. But since population in recent years was increasing at almost 2.5 percent a year, the gain in food available to the average citizen was slight. Domestic savings moved from 5 percent of the gross national product to 10, and investment from 5 percent to 14.

India currently is financing from its own resources about four-fifths of its public and private investment. The Fourth Plan calls for investment to rise to $31.7 billion for the five-year period, almost double the Third Plan

amount in terms of rupees before devaluation, with the public sector accounting for about two-thirds and the private sector one-third. This would mean a much faster growth in investment than in national income. Under the government's plan to accomplish this without deficit financing or price instability, taxes would have to increase substantially and gross domestic savings would have to rise by about 80 percent.

The difficulties of the last two years have included not only agricultural setbacks, but a slowdown in the rate of growth of industrial production and a rise in prices of about 10 percent a year. However, the government has counter-attacked with its recent reforms—devaluation, liberalization of the foreign exchange and import control systems so that priority industries could import vital needs, export promotion measures and encouragement of private fertilizer production and distribution—some of which have begun to show desired results.

Advances in selected areas include:

Agriculture

With the increased awareness of the central importance of agriculture, India's Fourth Plan calls for a $4.5 billion expenditure for agriculture, almost double the Third Plan investment. The government currently is allocating about 18 percent of its development funds for agriculture and community improvement, as compared to 14 percent last year.

Related policies will shift in harmony with the new emphasis: research, agricultural education, price, storage and transport policies will be affected.

New regulations permitting majority equity ownership and unrestricted pricing and marketing are designed to attract foreign investors into fertilizer manufacture, and the first U.S.-Indian fertilizer plant project has been successfully negotiated.

In addition, India is doubling its fertilizer imports this fiscal year to 1.3 million nutrient tons. Of last year's fertilizer imports, more than a fourth were financed by AID loans. A flow of pesticides, sulphur, rock phosphate and fertilizer needed for rapid expansion of farm production began following the June 1966 import liberalization.

In the current crop year, six million additional acres will be planted with new high-yield varieties of wheat. Substantial amounts of new seeds have been imported, and with AID help an accelerated domestic research program has been established to improve varieties of both wheat and rice.

Action is being taken against the serious inroads on the food supply made by rats, cows and monkeys as well as insect pests. Despite ancient and deeply-held beliefs that animal life should not be destroyed, a country-wide rodent control drive is being planned by an inter-ministerial National Rodent Control Committee in order to reduce the substantial losses of Indian grain and other food in various stages of storage. AID is providing the technical services of a biologist who will work with the committee and with the central and state governments.

AID also has contributed rupee funds to help build hundreds of modern "go-downs" and silos that are practically rodent-proof, for storage of grain sent to India under the Food for Freedom program as well as some of the domestic product.

In northern India, site of the recent droughts, water resources surveys are under way, with a view to more effective use of the available water for more intensive agriculture.

New regulations, making credit more easily available to farmers, could help to finance improved tools and materials and thus raise farm production.

Commerce and Industry

The import liberalization and AID commodity import loans made it possible for industries engaged in production for export to obtain the raw materials they needed. Fifty-nine priority industries—including all large capital industry and many export firms—were able to get components, spare parts and raw materials required for six months of full-capacity production.

With the help of a U.S. Geological Survey technician, minable phosphate rock deposits were discovered last year. The Indian Government is continuing exploration for this mineral, a key ingredient of chemical fertilizer.

Education

India is taking action, with AID's help, to broaden and improve its educational programs. In 1961, Indian Government expenditures for education were $493 million; this year they will be about $880 million. Of the estimated total of 4.25 million classrooms in the country, more than 80,000 were built with AID assistance. In college-level teacher training there are 65,000 students, of whom 22,000 are in AID-assisted programs. More than half of the 66,000 students enrolled in college agriculture courses are in programs assisted by AID.

Science education is getting special attention. The late Homi Bhabha, India's greatest scientist, said: "What the developed countries have, and the underdeveloped lack, is modern science and an economy based on modern technology."

One answer to India's need has been the introduction of the highly successful Summer Science Institutes, which have brought modern science education to increasing numbers of Indian college and secondary school teachers (from 160 in 1963 to 4,230 in 1966). The Institutes, a cooperative effort enlisting the Indian Ministry of Education, AID, a group of American universities and, beginning in 1967, the National Science Foundation, are substituting the process of experimenting and experiencing for the former system of memorizing half-understood theories.

Plans for the next session include financing of advisory services by AID and of equipment by India. The programs will be conducted by the National Science Foundation. A $12 million development loan was authorized by AID in January 1967 for procurement in the United States of laboratory

equipment, books and other teaching aids. This will permit wider use of the new teaching methods pending the start of Indian production of such materials.

Health

India's National Institute of Communicable Diseases, with AID assistance, is significantly improving all aspects of communicable disease control. The government is spending about $30 million a year in that field, with emphasis on training in medicine, public health, veterinary medicine and research. The technical experience and personnel of the Communicable Disease Center of the U.S. Public Health Service in Atlanta, Ga., are being used extensively in this development effort.

Two recent Food for Freedom grants are expected to help improve nutrition and the availability of pure water. A milk plan, made possible by $8.8 million worth of commodities, is designed to increase milk yields and lower prices. A special balanced feed will be sold to farmers on a nonprofit basis, and the proceeds will be used to buy the feed-balancing items after the three-year aid program ends. Sales to a particular farmer will be geared to the volume of milk he delivers. The milk will be sold at cut rates to low-income groups, and the proceeds of these sales will pay for developing dairy herds, building or improving rural roads, irrigating land, producing fodder and providing dairy equipment.

The other grant, $278,000 worth of wheat, will be used as part payment of wages for 4,500 workers who will build some 3,000 water wells in the arid areas of Andhra Pradesh, Rajasthan, Maharashtra, Madhya Pradesh and Punjab. The Indian Government will provide about $3.1 million for the project.

The critical problem of population growth is fully recognized by the government, which proposes to spend four times as much on family planning during the Fourth Plan as it spent during the first three five-year plans combined. AID is assisting the government with the evaluation of efforts under way, to form a basis for future Indian-U.S. cooperation. The AID Mission population staff includes a public health physician, a demographer, a sociologist and a public health nurse.

Development of Private Initiative

The already-mentioned liberalization of policies designed to boost production and introduce freer competition in commerce and industry was buttressed by $900 million in commodity import loans from members of the consortium. Of that amount, the United States provided $382 million, or 42 percent, for use during fiscal 1967.

Fiscal Year 1968 Program

In coordination with the consortium, AID proposes in fiscal year 1968 to provide development loans at a higher level than the $350 million

approximate annual average in the four years prior to the India-Pakistan hostilities (1962–65). Also planned is a $12.4 million technical assistance program. In addition, India may receive Export-Import Bank loans.

AID's development loan level will permit about the same amount of assistance for imports of U.S. goods in fiscal 1968 as was effectively extended in fiscal 1967. The fiscal 1968 proposal includes a relatively small amount of loan assistance for specific projects.

Aid commitments from Communist countries are expected to continue at about $150 million a year.

With greater contributions of food grains expected from other producing countries, a reduction of the Food for Freedom program is foreseen from a recent annual average of more than $600 million to about $400 million. The terms under which U.S. food will be provided will be shifted progressively from local currency sales to sales on long-term dollar credit. This will help to stimulate domestic production of the commodities.

Agriculture

AID lending will continue to support Indian imports from the United States of components and spare parts for production of tractors and other farm machinery, and for other agricultural-related industries. Technical assistance for agriculture will rise to $5.4 million (from $4.5 million for the current fiscal year), and specialists, including U.S. Department of Agriculture personnel, will help improve storage and marketing of food grains and help make available to farmers modern seeds and other production necessities. Seed and water research will be intensified. Teams from six American universities will work with Indian agricultural universities and Indian state governments to improve agriculture extension and research facilities.

Education

AID will continue to concentrate its efforts on science, mathematics and engineering education. The Summer Institutes program on science and technology teaching will continue, with emphasis on domestic production of materials and full assumption by the Indian Government of responsibility for the program. A group of American universities—including Cal Tech, Carnegie Tech, M.I.T., Princeton, Purdue, the University of California and the University of Michigan—will continue this advisory work in establishing a modern Institute of Technology at Kanpur.

Health

Emphasis will continue on research and evaluation in India's family planning program, but AID will be receptive to requests for administrative and organizational help and improvement of public health information procedures.

Also planned is the establishment of production facilities in India for high-protein diet supplements in order to promote better nutrition and health throughout the country. American private enterprise is expected to play a major role in this work, but some research on experimental programs will be financed with Technical Assistance funds.

JORDAN

A small but pivotal Arab country whose western border stretches almost the entire length of Israel, Jordan has maintained its independence with heavy support from the United Kingdom and, since 1957, the United States.

In recent years, Jordan has made solid progress in a number of fields important to development, a performance reflected in the gradual shift of American help from Supporting Assistance to Development Loans and Technical Assistance grants. Its economic advances not only hold promise for Jordan's people but also strengthen the country's stabilizing influence in the Near East. A serious dispute with Israel, however, has complicated efforts toward further progress.

A country the size of Indiana, but one whose territory is 80 percent desert, Jordan encounters in nature many obstacles to development. Scarce rainfall which hinders agriculture adds to the difficulties inherent in limited supplies of raw materials and a small domestic market based on a population of only about two million.

Jordan's narrow resource base long forced excessive dependence on outside help simply to meet budget needs which include support of a substantial defense establishment. The U.S. assistance program seeks to reduce this dependence.

Jordan's government has recognized and acted upon the necessity for self-help if development is to continue. Externally, it has maneuvered adroitly as a moderating influence on more militant neighbors. The Israeli raid of November 1966 led to events threatening to unbalance Near Eastern relationships, and made more difficult the task of reducing Jordan's dependence on budgetary support.

Progress and Self-Help

These are among Jordan's recent accomplishments:

- Gross national product has increased—somewhat erratically—at an average annual rate of eight percent since 1960.
- Income from phosphate production has tripled since 1960. So has income from the tourist trade; receipts rose from $9 million in 1960 to $27 million in 1965 and are ex-

pected to reach $75 million by 1970. AID is helping to establish a Jordan Tourism Authority.

- Farm output, having doubled in five years, declined after a severe drought in 1966. However, in the AID-assisted East Ghor project, completed in October 1966, 30,000 acres were brought under full year-round irrigation.
- Of some 415,000 students in school, about 35,000 are in AID-assisted programs. College-level teacher and agricultural training supported by AID is being given to more than 1,300 Jordanian students.
- Literacy has improved by about 25 percent in the last decade, and today better than one out of every three Jordanians can read.
- With AID assistance, Jordan has improved its accounting system and audit procedures, has passed new Central Bank and income tax legislation, and has improved tax collection procedures. In consequence, domestic revenue increased an average of 14 percent annually for the last six years. Government operating expenses, the subject of an understanding with the United States, have been held close to the agreed annual increase of five percent. Administrative reforms blueprinted in reports by AID-sponsored management consultants are being put into effect.
- A relatively minor item of produce—eggplant—has become important as an export commodity. A new variety introduced into Jordan by U.S. agricultural technicians in the 1950's has resulted in increased domestic consumption and in substantial earnings of needed foreign exchange. From only about 3,000 metric tons in 1954, eggplant exports by 1960 had risen to 10,000 metric tons and by 1966 to more than 18,000 metric tons.

Aid from Others

Besides the United States, four other countries and the World Bank's International Development Association (IDA) assist Jordan. The United Kingdom's budget support, $3 million in fiscal 1967, is estimated at $2.5 million for fiscal 1968. Britain is expected to lend Jordan an additional $2.5 million, while Saudi Arabia may lend $14 million; Kuwait, $6 million; West Germany, $3 million, and IDA, $1.4 million, all in fiscal 1968. An important project for extracting potash from the Dead Sea is expected to receive World Bank help in meeting foreign exchange requirements. Continued technical and project assistance from United Nations agencies, and

support from the Arab League for the Khaled Dam, are expected. The 200 million cubic meter capacity dam under construction in northern Jordan will help significantly in irrigation of the Jordan Valley and will be a power producer as well.

Fiscal Year 1968 Program

AID will continue in fiscal year 1968 to allocate the largest share of its program in Jordan to budget support through Supporting Assistance, although this will again decrease following a trend which reduced this category of assistance from $40 million in 1961 to $32 million in fiscal 1966.

Development loan financing is planned in fiscal 1968 as a contribution to the Dead Sea potash project, in addition to World Bank lending and possible private investment. Grain storage facilities may also receive such AID support.

Technical assistance in fiscal 1968 will concentrate on:

Agriculture, Irrigation and Water Sources

Groundwater studies will continue; so will support to agricultural credit efforts. In the East Ghor project, AID's major agricultural effort in Jordan, the irrigation canal has been completed and AID is now helping to develop institutions and facilities needed to increase productivity of land brought under irrigation. A total of $12 million in Technical Assistance funds and $2.5 million in Food for Freedom commodities have supported East Ghor irrigation projects.

Tourism

Activities to continue will include advisory services to the Tourism Authority and the Antiquities Department on organization, legislation and promotion; aid in tourist promotion and services; and AID-sponsored help from a 12-member U.S. National Park Service team in developing six major tourist sites. Among tourist attractions in Jordan are Bethlehem, Gethsemane, the caves where the Dead Sea scrolls were found in 1947, and, within the walled city of Jerusalem, Calvary and the Holy Sepulchre.

Public Administration

Under a contract with Griffenhagen-Kroeger, Inc., San Francisco, California, AID is providing six advisors to review government administration and advise on improvements in organization and management. AID also will continue to work closely with the Jordan Development Board to hold down governmental spending and further improve the tax system, and will encourage the Central Bank in monetary reforms. AID's 1968 program also will include feasibility studies on transportation, grain storage and groundwater development to increase revenue and foreign exchange earnings.

Food for Freedom

Under a 1967 agreement, the United States will provide Jordan with $7.5 million worth of wheat and other food grains through sales for dollar credit and for local currency. Most of the latter will finance local costs of U.S. programs. In addition, under a program administered by CARE, the Catholic Relief Services, the Lutheran World Federation and the Mennonite Central Committee, about $1.5 million in food is distributed annually to some 250,000 refugees, school children and people in frontier villages and in institutions.

PAKISTAN

United States economic assistance to Pakistan, which began substantially in 1952, supports American objectives for that nation:

- Maintenance of its political independence and Western orientation;
- Establishment of a peaceful relationship between Pakistan and India;
- Strengthened national unity of East and West Pakistan, the two provinces of the nation separated by 1,000 miles of Indian territory and 3,000 miles apart by sea.

To this end, in coordination with a consortium of the major free world nations led by the International Bank for Reconstruction and Development (World Bank), the U.S. aid program is helping Pakistan to re-enforce its economic and social development effort. In so doing, AID seeks to demonstrate the value of private enterprise working in partnership with public planning and basic investment.

Basic Development Problems

Agricultural production accounts for almost half of Pakistan's national income and more than two-thirds of the country's exports, while three-quarters of the population is dependent on farming. Yet until recently, low productivity has meant that food production could not keep pace with population growth, more and more food had to be imported, agricultural exports dropped and rural income remained stagnant.

Along with basic problems that are common to the two provinces, such as the uneconomic size of many farms, primitive agricultural practices and a low literacy rate, East Pakistan's serious population pressure on its 54,000 square miles is aggravated by recurrent crop-destroying floods. In West Pakistan, waterlogging and salinity have for a number of years been ruining the soil in area after area, necessitating an extensive reclamation program now being pushed with the aid of the United States and other nations. For several years the western province has been unable to feed

itself with its grain and pulse crops and has had to import wheat. In East Pakistan, rice must compete with jute, the chief export, for the limited acreage.

Pakistan's economic progress also has been restricted by limited raw materials and power and lack of technical and professional skills. A restrictive industrial licensing system and cumbersome procedures in tax administration, budgeting and accounting have been hindrances. Industrial output contributes some 15 percent of the national product.

Pakistan's limited foreign exchange resources intensify the need for foreign investment, particularly in agricultural industries such as fertilizer and pesticides.

Pakistan's economic progress, whose pace was slowed by the 1965 conflict with India, U.S. suspension of new economic aid and reduced harvests in 1966 due to adverse weather, is gradually resuming the momentum built up in the Second Development Plan period of 1960–65.

Self-Help and Progress

Despite its many problems, Pakistan has recently emerged as an outstanding example of a poor nation successfully pushing through a major development program, now being sharply expanded. In the Second Plan period (1960–65), Pakistan moved forward with increased agricultural and industrial productivity and rising per capita income, despite continued population growth. Gross national product rose at a compound rate of 5.8 percent.

That rate was not maintained in fiscal 1966, the first year of the Third Plan, because of increased military expenditures and other results of the war, as well as droughts and floods. Nevertheless the 4.8 percent growth of the economy stayed well ahead of the 2.6 percent population rise. Exports rose 13 percent in fiscal 1966, compared to the average rate of seven percent during the Second Plan period.

Economic growth was restored to its high priority in fiscal year 1967, the current year, with a record government development budget of more than $1 billion—30 percent more than 1966 expenditures for economic expansion. At the same time, the defense budget was cut 16 percent. The government also moved to restore the liberalization of imports—suspended during the hostilities—though with certain at least temporary restrictions.

Supported by technical and loan assistance from AID and other World Bank consortium members, as well as programs using food or local currency under Public Law 480, Pakistan's efforts to grow more food and other agricultural commodities have had substantial success, though increases have been diluted by population growth. Compared with an average yearly increase of less than one percent during the First Development Plan period (1955–60), agricultural production rose by about 3.2 percent annually during the Second Plan, which ended in 1965. It declined by 2.3 percent in fiscal 1966, the year of hostilities, severe drought in the West which cut the

wheat harvest by 600,000 tons, and floods in the East which reduced the rice crop to below normal. The current spring wheat crop is estimated at a bumper 4.5 to 5 million tons, compared to 4 million in 1966 and 4.6 in 1965. The main 1967 rice crop totaled some 11 million tons, about the same as the 1966 crop.

These advances reflect a new emphasis on agricultural development and positive measures by the Government of Pakistan, supported by AID's assistance in focusing attention on three primary factors: water, fertilizer and improved seeds.

Use of Fertilizer

Most striking was a three-fold increase in the use of fertilizer during the Second Plan period, resulting primarily from a government subsidy averaging about 50 percent of cost. Imports of fertilizer, which Pakistan finances with earned foreign exchange as well as AID commodity loans, increased from 78,000 nutrient tons in fiscal 1965 to 97,000 last year, with 143,000 estimated for the current year.

West Pakistan's water supply has been increased 15 percent, largely through public and private installation of tubewells, which are also used to flush out salts and lower the water table. The Indus Basin watershed development program of salinity control and land reclamation has restored and brought under cultivation some 1½ million acres of land, increasing by about four percent the area available for farming. Irrigation and flood control projects have brought increased yields on an additional eight million acres.

AID-financed projects for generating power to operate tubewells, and AID commodity loans which help finance imports of steel used in making tubewells in Pakistan, have contributed to the reclamation program. While this began as a government effort, the tubewell idea has caught on among individual farmers and they have installed them on their own at the rate of 6,000 a year.

In a 40-mile-square area in the Punjab previously unfit for cultivation due to salinity and waterlogging, an AID-assisted pilot reclamation project which also serves as a demonstration continued to make progress, with the water table falling seven inches last year to a total of about 10 feet below the level of 1954, when the installation of tubewells was begun. As a result, and with greater fertilizer use, yields of all crops climbed last year—10 percent for indigenous wheat, 130 percent for recently-introduced barley, and 20 percent for sugar cane.

A new dwarf red wheat variety introduced from Mexico (350 tons of which arrived in October 1965 and was given special transit priority through the port of Karachi and over the national railways despite the military emergency) has outyielded the most widely grown local wheat by more than 50 percent in extensive trials. With the great potential shown

by the dwarf varieties, a dwarf type with white grain, the preferred color in that area, is being multiplied for distribution this year.

In East Pakistan, a rural works program, supported by local currency generated from Food for Peace sales of food grains, and an intensive agricultural extension program, have contributed to an increase in agricultural production as well as other rural development. The key factors in these programs have been local leadership and responsibility to stimulate the villagers to plan and carry through local development projects. Since the works program began in fiscal 1963, some 18,000 miles of farm-to-market roads have been built or repaired, and about 4,000 miles of canals and embankments, 12,000 bridges and culverts and 1,300 community buildings were completed or maintained.

Production Increases

Industrial production, which climbed 16 percent between 1963 and 1965, due largely to liberalization of raw materials and equipment imports in 1964, increased some 60 percent during the Second Plan period as a whole. A slump during the 1965 hostilities was only temporary, and by the first few months of 1966 industrial activity had climbed another seven percent, though shortages of raw materials, as well as power, began to be felt as the AID-financed commodity import pipeline ran out.

Family planning has been given increased emphasis in the Third Plan, with a budget of $60 million and a Central Family Planning Council formed with the Minister of Health as chairman. By late 1966, 31,000 persons had been trained in family planning, about 250,000 intra-uterine devices had been inserted and 22,000 outlets were selling about seven million contraceptives a month.

The Coastal Embankment Project in East Pakistan, an extensive 10-year land development effort to protect 2.4 million acres of potentially fertile coastal land against tidal salt water and seasonal monsoon floods, is about at the halfway mark. Plans call for construction and repair of some 3,000 miles of earth dikes and installation of 833 sluices.

By June 1966, more than 1,200 miles of dikes had been completed, protecting 400,000 acres, and 334 sluices were in operation. Out of a total estimated project cost of $236 million equivalent, about $99 million has been spent. The United States has contributed about 50 percent of this, practically all in the form of loans and grants of local currency funds derived from sales to Pakistan of U.S. agricultural products.

'Cooley Loans'

Local currency loans advanced by AID to U.S.-affiliated private enterprise overseas (called "Cooley loans" after the Congressman who sponsored the legislation), have helped to establish important manufacturing and service industries in Pakistan. Today, pasteurized milk, antibiotics, tires, canned fruit juice and modern sewing machines are available from local

producers at moderate prices, and first-class hotel accommodations and banking facilities also have been provided under Cooley loan financing.

Besides helping to provide such domestically-made consumer items and local services, Cooley loans demonstrate the United States' belief in the value and importance of the private sector to the economy of a developing nation such as Pakistan.

Six new Cooley loans were signed between July 1965 and February 1967 for companies in dairy farming, surgical instruments, sewing machines, hotel operation and pharmaceuticals.

Disaster Relief and Damage Prevention

Rupee financing was approved by AID during fiscal year 1966 for four relief, repair and preventive projects for cyclone and flood damage in East Pakistan, as follows:

- A grant of 10 million rupees (about $2.1 million) for the repair of coastal embankments, which have materially reduced the number of lives lost and the property damage from tidal waves following cyclones;
- A grant of 9,575,000 rupees (about $2 million) for construction of cyclone shelter buildings which also serve as community centers and schools; the project is about half completed;
- A loan of 1,485,000 rupees (about $312,000) and a grant of 500,000 rupees (about $105,000) which have been used to build 402 deep tubewells; these provide potable water following a cyclone which usually makes available water salty;
- A loan of three million rupees (about $630,000), one-third of which has thus far enabled fishermen to repair damaged boats and build about 300 new ones. A total of 900 boats are expected to be built under this loan.

Development Goals

Pakistan has set an ambitious annual GNP growth target of 6.5 percent, including agricultural growth of 5 percent, for the Third Plan period, compared with the actual 3.2 percent rate of agricultural increase during the Second Plan. Self-sufficiency in food production by the early 1970's is a principal goal of the Third Plan.

To help achieve the food goal, the Government of Pakistan has undertaken a program to promote investment in new private enterprise fertilizer plants, as well as expansion of state-owned factories. The target is self-sufficiency in fertilizer production by the early 1970's which will require a five-fold increase over 1965 output capacity. Four U.S. firms have been authorized to build plants. Distribution is being turned over to private

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enterprise. Increased imports along with domestic production during the next few years are intended to triple the use of fertilizer again in the Third Plan, to 484,000 tons in fiscal year 1970.

Under the Third Plan, revised early in 1967 to intensify the drive on food and fiber production, some 40 percent of the more than $10 billion total planned for development purposes is earmarked for enterprises that are oriented toward or based on agriculture, including water and power installations, fertilizer and food processing industries.

A companion goal for the other part of the equation between available food and the number of mouths to feed is the reduction of the annual birth rate from 50 per 1,000 to 40 per 1,000 during the Third Plan period.

This would necessitate the prevention of five to six million births in the five years, and would reduce the net annual population growth from almost three percent currently to 2.5 percent.

Fiscal Year 1968 Program

The U.S. program proposed for Pakistan next year will be provided, as usual, within the framework of the 10-nation consortium led by the World Bank. It will be based on estimates that consortium aid totaling some $500 million is needed to restore fully a normal flow of imports under more liberalized policies and to regain the momentum of development which existed before the 1965 conflict with India.

The AID contribution to Pakistan's import financing in the form of development loans is expected to be somewhat less than the level prior to the Indo-Pakistan war.

In addition, Pakistan is expected to receive loans from the Export-Import Bank, International Development Association and the World Bank, as well as the other consortium member countries.

The commodity financing will enable Pakistan to import fertilizer and pesticides for increasing food production as well as industrial raw materials to feed Pakistan's factories and utilize industrial capacity more fully.

Adequate imports also will help to make the investment climate more attractive to domestic and foreign private business in such important areas as fertilizer and pesticide production. AID encourages such new investment, working closely with the Government of Pakistan to boost private business by such means as facilitating free market distribution of fertilizer.

A fourth Salinity Control and Reclamation Project would be launched with the assistance of a new AID project loan, to reclaim an additional million acres through installation of tubewells, drainage and flushing of the soil, measures that have proved successful in the earlier program.

Also planned for Pakistan in fiscal 1968 is a $7.9 million AID technical assistance program in education, health and family planning, industry, public administration, water and power development and public safety.

AID will expand a program of Summer Science Institutes, started in East Pakistan in 1966 and continued in 1967, that introduce to secondary and

college teachers of sciences and mathematics modern techniques in science and technology education. West Pakistan is also expected to participate in the Institutes, which are conducted by educators from Teachers College, Columbia University under an AID contract.

Increased technical assistance in family planning will be an integral part of the health program, helping Pakistan toward its declared goal of a 2.5 percent net population growth rate. Financing of vehicles and educational equipment was provided by AID in fiscal 1966 for family planning work. Funds for training and advisory services have been made available during the past two years, and in March 1967, a local currency loan was signed that will finance the manufacture of oral contraceptive pills, among other pharmaceutical items, in Pakistan. This was the first AID loan for such a purpose. Aid for family planning also is provided by UNICEF, the Government of Sweden and the Ford Foundation.

The joint drive to eliminate malaria will be continued.

Technical assistance also will continue for the development of private industry through aid to investment advisory centers and small industry lending agencies.

Advisory services will continue in budget and fiscal administration, statistics, and water and power development, as well as technical aid to help the government maintain public safety and internal security.

Indus Basin Development

The giant Mangla Dam, largest in Asia, which will impound 5½ million acre feet of water from the Jhelum River in West Pakistan, is being completed with its first three generating units and substation. Costing about $367 million, this is the first step in the Indus Basin Development Fund scheme, a huge $1.8 billion cooperative undertaking administered by the World Bank, due for completion in about three years and involving the largest earth-moving task in history. The Indus Basin Fund effort is the result of the peaceful settlement of a dispute between India and Pakistan over the river waters flowing into the Indus Plain, after the partition of the two countries in 1947.

Five of the six rivers that sustain the life of the 23 million-acre Indus Basin in West Pakistan flow out of India, which also needs some of this water. Under the Indus Waters Treaty, three of the six rivers will remain for Pakistan's use and three will be diverted to irrigate farms within India, after Pakistan has built a system to replace their westward flow. The Indus Basin project is building this system, which will include seven river-diversion barrages and 430 miles of canals, some of which are now dug and carrying water from Mangla.

Built by a U.S. contractor, Guy F. Atkinson Co. of San Francisco, the Mangla Dam not only will store water of the Jhelum River to irrigate West Pakistan's southern plains during the long dry summers, but also will be able to produce a million kilowatts of electric power—more than doubling the present power production in the whole country.

The Indus Basin projects are being financed by the United States, which has pledged about 44 percent of foreign exchange costs, the World Bank (18 percent), the United Kingdom (13 percent), the Federal Republic of Germany, Canada, Australia and New Zealand, as well as Pakistan.

TURKEY

A staunch ally of the United States since World War II, the anchor of the southeastern flank of NATO and a member of CENTO as well, Turkey is strategically located in the Eastern Mediterranean and controls the access to the Black Sea. One of the first nations to volunteer troops during the Korean War, Turkey makes important contributions to U.S. and NATO security.

U.S. objectives include:

- Maintaining Turkey as a strong NATO partner;
- Speeding achievement of Turkey's goals—freedom from dependence on outside concessional aid, integration of the economy into the European Economic Community, and ability to support its own defense establishment;
- Maintaining growth, stability and the democratic form of government.

U.S. assistance began in 1947 in defense against direct aggressive pressures from the Soviet Union, shifting in the late 1950's to aid for long-range social and economic development. Since 1962, U.S. programs have been coordinated with aid from 13 other free world countries through a consortium led by the Organization for European Cooperation and Development.

Major Development Goals

As its principal economic goal, Turkey has set 1973—the end of the Second Five Year Plan—as the target date for reaching self-sustaining economic growth without foreign aid on special terms.

The Plan calls for a seven percent annual increase in the gross national product during the five years beginning in 1968. Allowing for population growth, this would produce an estimated four percent gross national product increase on a per capita basis.

While these goals are ambitious, recent trends have been impressive as growth rates have exceeded targets and agricultural harvests have restored, for the present at least, Turkey's ability to feed itself. In almost every economic category, records were set last year.

Nevertheless, the nation still has a steep climb to self-generating independent growth and must successfully cope with a number of problems and policy decisions on the way. While the real per capita gross national product has increased by 20 percent in the past five years, it is still only the equivalent of $276.

Major Development Problems

Maintenance of price stability may be a future problem as it has been in the past, due to inflationary pressures generated by continuing deficits of state-owned corporations, expanded agricultural price supports and increasing general government expenditures.

Export gains must be sustained and increased in order to finance essential imports and increase foreign exchange reserves. With imports rising faster than exports recently, reserves have been dropping.

To maintain sound growth and self-sufficiency in food, as well as expand exports, Turkey must continue to revitalize agriculture—the source of livelihood of three-quarters of the population—by using more fertilizer, developing more irrigation and using improved cultural methods and plant varieties. Population growth will need to be slowed.

Greater play for free market forces and broader participation by the private sector are needed for the stimulus that competitive private enterprise brings to bear on development.

Turkey also needs trained professional and technical manpower, in both government and private enterprise.

Progress and Self-Help

Confidence in the new Justice Party government—whose popular election in 1965 and re-affirmation in Senate elections of June 1966 ended several years of coalition government—coupled with an unusually good harvest and a high level of industrial investment, contributed to a remarkable expansion of the economy in 1966, as illustrated by the following accomplishments:

- An 8.3 percent growth in the gross national product, a rate not achieved since the early 1950's and considerably above the target rate of 7 percent and the 1965 rate of 4.9 percent;
- A record agricultural output increase of 11 percent, compared with the target of 4.2 percent and a 10-year average of 2.5 percent per year;
- An industrial production rise of nine percent;
- An investment increase of 15 percent;
- A rise in tax revenues of 23 percent;
- A gain of 13 percent in foreign exchange receipts, including a rise of more than 60 percent in workers' remittances from abroad and some six percent in commodity exports, which reached the half-billion dollar mark for the first time.

The record total and per capita agricultural production—a result not only of excellent weather but also of increased use of fertilizer—made Turkey self-sufficient in food. It should remain so if use of fertilizer and irriga-

tion continues to expand, new seed is introduced and population growth is kept within bounds.

Through import financing and technical assistance, the United States has helped to boost these multipliers of farm output. Since 1953, for instance, AID has financed the services of 30 advisors, beginning with a U.S. Bureau of Reclamation team, and the training of more than 200 Turkish professionals, in water resource development. This extensive technical aid project, which cost more than $2 million by the time it was completed on June 30, 1966, helped to create and build up the Turkish State Hydraulics Works, with a present staff of nearly 15,000. The agency has increased the irrigated land in its project areas from 135,000 acres to 404,700 acres—almost 200 percent—between 1954 and 1966.

Another help to improved farming generated by AID assistance has been Turkey's supervised credit program for farmers, patterned after the U.S. Farmers' Home Administration program. This was designed to remove one of the basic problems of agricultural development, the lack of credit or its availability only at interest rates ranging up to 50 percent. Beginning in one province, with AID technical assistance, some 50 million Turkish lire (about $5.5 million) was made available by equal loan contributions from AID and from the Turkish Agricultural Bank. The key to the program is the requirement that fully thought-out plans must be made, with the help of Agricultural Bank and Extension Service specialists, for the investment to be financed. Advisors also help such farmers with basic problems of farm management. By September 1966, more than 900 loans had been extended to farmers in five provinces totaling more than $3.3 million. Some three-quarters of this was for long-term capital investment, financing purchases of livestock or agricultural machinery and equipment, and improvements such as irrigation or soil conservation.

Family Planning

Turkey has launched a drive to reduce annual population growth from 2.5 percent to two percent by 1972—a sharp departure from the previous policy needed to replace population losses due to war and epidemics in the early part of the century. Turkey's Family Planning Organization has sent gynecologists and nurses trained in contraceptive methods to work in health centers in 59 of the 67 provinces. Vehicles and audio-visual equipment for their use are being financed by an AID loan, the first U.S. development loan for direct assistance to a family planning effort in a developing country, which was signed in October 1966.

The government is also extending the national public health service program begun in 1960 with U.S. assistance especially for the isolated areas of eastern Turkey.

The industrial expansion last year included a 100 percent increase in iron and steel output, largely the result of the first full year of production of the integrated Eregli steel mill. The largest in the Near East, Eregli is

a private corporation for which AID contributed more than $140 million in dollar and local currency loans, out of the total cost of about $280 million.

An increasing volume of Turkey's industrial production comes from enterprises that have received so-called Cooley loans from AID. These are loans of local currency—derived from the proceeds of Public Law 480 sales of U.S. agricultural commodities—made to private firms in Turkey affiliated with U.S. companies.

Such loans totaling the equivalent of $45.2 million have been made to 13 firms in Turkey. Their production of items ranging from pharmaceuticals to sewing machines and from refrigerators and radiators to tires and vehicles is boosting employment, saving foreign exchange and contributing substantially to the Turkish economy.

The first of three generating units of the Ambarli thermal power plant, for which AID has made a $38.5 million development loan, was inaugurated in December 1966. The three units, which will produce a total of 330,000 kilowatts, will enable hundreds of industrial plants in the power-short Istanbul area to expand.

While budgetary deficits continue, the gap between expenditures and revenues is narrowing as tax measures and income rises bring higher receipts. Additional measures to expand the tax base and improve tax collection are before the Turkish parliament.

Rising incomes, improved child health and an expanding population have stimulated education demands. The percentage of children of primary school age enrolled in schools has risen from 70 in 1961 to 78 in fiscal year 1966. The literacy rate, which remained virtually unchanged between 1952 and 1962 at 35 to 40 percent, rose to 46 percent in 1965. These figures reflect the expansion of Turkey's educational effort as the nation spends more than 3.5 percent of its gross national product on education, compared to 1¼ percent in the 1950's. One of the key elements of the country's development program is the expansion of vocational and technical education, with AID technical assistance.

Role of the AID Program

U.S. economic cooperation will continue to focus on the measures necessary for Turkey to achieve self-sustaining growth by 1973, the end of the Second Five-Year Plan. Adequate foreign aid, as well as appropriate self-help actions, will be needed during the next six years.

Levels of development loan aid for projects and for general commodity imports will continue to be based on Turkey's performance, its annual development program needs and balance of payments requirements. Maintenance of financial stability through adherence to a stabilization program developed by the International Monetary Fund will continue to be a major prerequisite for U.S. assistance. The 1967 development program presented to the OECD consortium indicated Turkey's intention to continue policies conducive to stable economic growth.

U.S. economic planning for Turkey calls for strengthening and expanding the role of the OECD consortium, through which the AID commodity loan assistance will continue to be pledged. Participation of other members would be expanded and the technical resources of the OECD and Consortium Secretariat would be used to evaluate Turkish development programs.

U.S. development loans in the past have helped to finance general commodity imports and projects principally in the fields of power, transportation and industry. Such loans will continue, particularly for mineral development, expansion of steel production and development of new exports, as well as for commodity imports.

An important element in AID's program plans for Turkey will be technical assistance to develop professional and skilled manpower for the planning and development agencies and middle-level managerial personnel for the private sector. Assistance also is being considered for institutions of higher education undertaking new approaches and modern teaching concepts.

Fiscal Year 1968 Program

The development loan program planned for fiscal year 1968 is on a somewhat smaller scale than the $129 million 1966 program and the 1967 level. About 40 percent of the planned loans would be for imports from the United States of raw materials, semi-processed goods and capital equipment to expand production capacity. The remainder would finance projects in key areas, those now under review for 1968 including a fertilizer manufacturing complex, an expansion of the Eregli steel mill, expanded higher education facilities and various private manufacturing projects.

As previously, the commodity import loans will be pledged through the OECD consortium. The 1966 pledges for such non-project aid for Turkey (including debt deferment) totaled $177 million, of which the U.S. share was $74 million. Requirements for fiscal 1967 are slightly lower and AID has authorized $69 million for this purpose. Commodity import needs are expected to decrease again in fiscal year 1968 as foreign exchange receipts from commodity exports, workers' remittances from abroad and tourism continue to rise.

Technical Assistance grants of $5.8 million are proposed, compared to a fiscal year 1967 program estimated at $4.25 million. The new program will emphasize projects to improve agricultural production, particularly through better utilization of water and fertilizer and the introduction of improved seed.

Contract services to help develop better planning in education and more advanced training in business and vocational education also will be continued. A project to improve tax administration will be expanded and a labor mediation-conciliation program will be further developed. Ex-

panded assistance will be considered for introduction of new teaching methods in agricultural and technical universities.

A Public Law 480 program agreement in 1966 called for sale of 300,000 metric tons of wheat and 20,000 metric tons of corn for local currency. There was no request for agricultural commodities for 1967 and none is expected in fiscal year 1968 if Turkey's production continues to increase.

OTHER NEAR EAST AND SOUTH ASIA PROGRAMS

Afghanistan

Continuation of Afghanistan's traditional posture of vigorous independence remains the primary objective of the United States in that country, which borders both the Soviet Union and Communist China. The AID program in Afghanistan offers an alternative to excessive dependence on the Soviet Union while supporting orderly advances in areas—chiefly agriculture and education—of basic national need.

Afghanistan shares with other South Asian countries the problem of agricultural productivity too low to feed all its people, a fact which has led the United States to condition grants of wheat on government action to improve the situation. At the same time, Afghanistan's revenues, inadequate for development needs, require a broader and more efficient administration of tax laws.

Self-Help and Progress

The country's attempt to solve these problems coincides with political changes oriented toward democratic concepts of government. However, the democratic institutions contemplated by the constitution of 1964 are not fully in operation. Further, the new Parliament, elected in 1965 by Afghanistan's first general adult suffrage, has not achieved working relations with the government. Consequently the government hesitates to act decisively on agricultural policies or toward increasing revenues.

On the other hand, by strict adherence to measures prescribed by the International Monetary Fund, the Afghans have succeeded in curbing the economic deterioration of a year ago. Decreased deficit financing has slowed inflation and helped stabilize prices, although there has been only a limited increase in national output. The government also has adopted a program which includes doubling of the Ministry of Agriculture budget by 1968 as an essential step to achieve self-sufficiency in wheat by 1972. Afghanistan's new constitution calls for universal free education. Government expenditures for education have quadrupled since 1962.

Some other recent accomplishments:

- A forest inventory conducted last year by the Ministry of Agriculture with help from AID and the Peace

Corps showed that in Kunar Province there is a large potential harvest. The market for wood products is assured in Afghanistan and adjacent countries, and the development of this sizable resource can help Afghanistan's internal economy and its balance of payments.

- With 40 percent of the land leveled, the laboratory and research farm of Kabul University's Faculty of Agriculture has already been used for two series of research plots on wheat and for projects by senior students. The 46-acre farm will make it possible to graduate students with practical experience in agriculture. Besides its major functions of training and research, the farm will be valuable as a site for field demonstrations.

The proposed U.S. fiscal year 1968 program for Afghanistan will concentrate on agriculture, education, and public administration, through the use of development loans, technical assistance, and sales of wheat for local currency.

Prime aims are to assist the Afghans to eliminate their wheat deficit and improve agricultural productivity; to channel increased public and private resources into development; to set sound priorities for development efforts, and to help train manpower for public administration.

In agriculture, a technical assistance grant will be made for equipment and technicians for six research and experiment stations. Technicians will test and distribute improved seeds and conduct fertilizer demonstrations. About 30 percent of the technical assistance program during the fiscal year will be for agriculture. Also planned is a loan to finance needed fertilizer and seed. Efforts will continue to develop production in the Helmand Valley as a major component of the economy, with a goal of doubling crop yields in that area in the next five years.

In education, American teams will continue to:

- Develop curricula for primary schools, train teachers and strengthen English language programs,
- Assist in the establishment of a middle-level technical school,
- Improve the administration of Kabul University,
- Build university-level institutions to train engineers and agriculturalists.

In public administration, efforts will continue to improve the collection and disbursement of revenues and to strengthen economic planning through advisors in planning, statistics, tax administration, budgeting and customs procedures.

The principal contributor of foreign aid to Afghanistan remains the Soviet Union, with an annual program of about $50 million. West Germany also provides significant amounts. Assistance on a smaller scale comes

from the United Kingdom, France, Communist China and the United Nations.

Ceylon

The present Government of Ceylon, elected in 1965, has taken difficult steps, including a stabilization program recommended by the International Monetary Fund, to encourage foreign and domestic private investment and to help combat the nation's serious balance of payments problem. The government has entered into investment guaranty programs with the United States and the Federal Republic of Germany, liberalized policy on private foreign investment, and started lifting a moratorium on remittance of dividends, interest and profits to foreign investors. The government also has halved the rice ration, thereby substantially reducing its net expenditures for food subsidies.

Efforts toward progress have been hampered recently by declining prices for the country's traditional exports, tea, rubber and coconuts. Tea alone accounts for nearly two-thirds of the export total. The country must import about half its food requirements.

One of Ceylon's greatest problems is partly due to the country's great strides in public health since independence in 1948. This has resulted in a population growth of 2.9 percent annually—the highest rate in South Asia, and sufficient to double the present 11.6 million people within the next two decades. At the same time, gross national product has increased an average of only 3 percent annually, resulting in very small increases in per capita production. Unemployment has continued to increase.

AID assistance to Ceylon, which was resumed in July 1965 after a two-year break, is coordinated through a multilateral group sponsored by the World Bank. U.S. programs for the current fiscal year may amount to about $15 million, of which appoximately half is Food for Freedom assistance in the form of wheat and feed grains. An AID development loan provides the foreign exchange for commodity imports to increase industrial production and stimulate investment. AID is encouraging government moves to increase rice production and fishing output, and to take advantage of the mountain rivers in south central Ceylon to develop hydroelectric power.

Continuation of the present democratic government and of Ceylon's moderate, neutralist foreign policy will depend to a significant degree on the success of current economic development plans. The present budget puts strong emphasis on development, devoting 39 percent of total proposed expenditures to that element. The Ministry of Agriculture has prepared a five-year development plan to increase the relatively low per-acre crop yield, and the government has launched a 10-year family planning program designed to cut the population increase rate by almost a third.

In fiscal year 1968, AID proposes development loans for commodity imports, including fertilizer, machinery, other capital goods and raw materials to stimulate industrial expansion. It also plans to supply Food for Freedom commodities.

Other countries aiding Ceylon include the United Kingdom, France, West Germany and Japan. American aid last fiscal year amounted to about one-quarter of all external assistance.

Iran

Because Iran has found in her increasingly profitable oil resources the means of paying development costs and of attracting outside financing at normal rates, a final Technical Assistance grant of $300,000 will terminate the AID program there in fiscal year 1968. This will wind up projects in agricultural production and marketing, internal security, and financial and economic statistics. The last development loan, $6.5 million for consultants' services for planning a major expansion of Iran's power system, was signed in January 1967.

Iran, whose Shah has sponsored an important land distribution measure and other reforms during the past several years, has made effective use of the more than $600 million in loans and grants provided by AID and predecessor agencies since 1952, when the nation was virtually bankrupt. Among accomplishments the United States helped Iran to achieve were:

- A modern 1,665-mile highway system linking the Persian Gulf and the Caspian Sea.
- Development of institutions that have trained some 22,000 Iranians in teaching, farming, and other development-oriented fields.
- Increased use of fertilizer in the country from about 20,000 tons in 1960 to some 85,000 in 1966, and doubled production of sugar, rice, tea, cotton and other crops in the past decade.
- Training of 314 persons in the United States in specialized agricultural science and techniques.
- Protection of 95 percent of the population against smallpox, eradication of cholera, and control of malaria in such areas as the fertile land around the Caspian Sea, where 15 years ago the incidence was as high as 95 percent.
- A modern treatment plant and the first piped water system for the capital city of Tehran, and a start on installing pure water supplies for all Iranian municipalities.
- Passage in June 1966 by the Parliament of a landmark civil service law covering some 300,000 government employees. The result of years of patient effort by progressive Iranian forces and continuous activity by American technical advisors, the law provides for a merit system and for improved job classification, testing and recruitment, and retirement benefits.

- Creation or development of agricultural credit and cooperative institutions, an agricultural extension service, a land grant-type agricultural college with a demonstration and experimental farm, a system of vocational agricultural secondary schools and an animal disease control center well known in the entire region for having helped to check various epidemics.
- Creation or development of aids for industry and commerce including a standards institute, an industrial technical and productivity center, a system of vocational industrial secondary schools and a development bank that underwrites investment loans to private industry.
- A 1,000-unit apartment project in Tehran and a low-cost development of worker-owned homes in Isfahan, providing demonstrations of construction and management methods.

In addition, American surplus food valued at about $138 million has been transferred to Iran under the Public Law 480 program. Under the latest agreement, the United States will supply about $2.7 million worth of wheat, under a 15-year loan at 5 percent interest, with the government using local currency obtained from its sale to build grain storage and handling facilities and to support other mutually-agreed-upon social and economic programs.

CARE, UNICEF, the American Jewish Joint Distribution Committee and other groups have conducted food distribution programs benefiting 688,000 people, most of them children.

Export-Import Bank long-term loans for capital investment such as roads and railway rolling stock have totaled almost $172 million.

Nepal

Creation of indigenous institutions and capabilities through which Nepal may independently direct and advance its development is the goal of American assistance to the remote Himalayan kingdom. The U.S. program also fosters closer ties with neighboring India.

Internally, the predominantly mountainous and rural country's greatest development problem is agriculture, characterized by low productivity, primitive methods and attitudes that resist modernization. In response, the government has accorded highest priority to increasing farm production and to the related matter of improving life in Nepal's scattered and often virtually inaccessible villages. In all, it has increased the development budget from the equivalent of $16 million in 1963 to $50 million in 1966.

In another area of U.S. interest—education—between 1954 and 1966 the number of primary schools in the country increased from 900 to 6,000, while pupil enrollment rose from 12,000 to 350,000. A key factor was Amer-

ican assistance, which in earlier years concentrated on helping improve Nepalese education.

In yet another field, again with U.S. support, Nepal has established an electoral system providing direct popular participation in local affairs and indirect participation in national affairs.

Reflecting new emphasis on more productive farming, agriculture will receive principal American support under the AID program for fiscal year 1968, in terms of grants of dollars and U.S.-owned Indian rupees. Second priority has been assigned to health programs, followed by those in education and industry.

U.S. efforts to direct and speed up development progress will concentrate on projects in:

- Food grain production, to keep supply ahead of population growth by increasing the use of fertilizer, improved seeds and other aids;
- Agricultural credit, through establishing local cooperatives and strengthening the Agricultural Bank;
- Extended malaria eradication, through spraying and surveillance, to eliminate debilitating effects and to open up afflicted areas for settlement and production;
- Teacher education, technical education and provision of educational materials, by upgrading the staff and facilities of the College of Education, the Technical Education Center and the Educational Materials Organization;
- Community development to establish representative working political institutions by training people to staff village and district panchayats, or councils for self-help action, as well as the Home-Panchayat Ministry.

Recent development accomplishments include:

- An Agriculture Supply Corporation has been established with AID help to sell seed, fertilizer, tillage equipment and chemicals for control of plant diseases and pests, through cooperatives and private firms. The Government of Nepal has set a goal of a 15 percent increase in rice, wheat and corn production within five years;
- AID, using U.S.-owned rupees, has sent more than 100 young Nepalese to agricultural colleges in India, to learn improved methods needed for Nepal's farms.

Through diplomatic representation and joint development projects, the United States will continue to encourage India and other free world donors to increase aid to Nepal. India leads in assistance, with $13 million expected in the next fiscal year. Others extending significant aid are the United Kingdom, West Germany, Russia, Communist China and the United Nations.

United Arab Republic

As the most influential Arab state and because of its strategic position in the oil-rich and explosive Middle East, the United Arab Republic has drawn the strong interest of both East and West. Under its non-alignment policy, the country over the years has received considerable military aid from the Soviet Union, as well as economic help from the United States and other free world nations.

In recent years, the U.S. program has been a modest one, with limited objectives—basically to encourage the UAR to focus on internal economic development and to foster a more cooperative relationship with the United States.

Despite continuing political differences and criticisms of U.S. policies, UAR officials have been cooperative in technical project work and AID technicians are well received. Such relations, and the visits of selected Egyptians to the United States for training and study, play a role in the effort toward better cooperation.

Besides the relatively modest AID technical assistance program, U.S. voluntary agencies are distributing food in the UAR. No dollar development lending has been authorized since fiscal 1963, and there has been no Food for Peace program since fiscal 1966.

Despite some overall economic gains in the last several years, the UAR economy is in precarious condition. Lack of foreign exchange with which to buy needed food is the most difficult problem. While oil discoveries have raised some hopes, President Nasser has recently called for increased savings and farm production and reduced food consumption and birth rates.

The proposed fiscal 1968 AID program will continue technical assistance projects at a level of about $1.6 million, about the same as in recent years, principally to improve agricultural production, research and planning, and industrial management.

Central Treaty Organization

Economic programs of the Central Treaty Organization (CENTO) are supported by the United States in order to strengthen the concert of interests of the regional member countries, Turkey, Iran and Pakistan; encourage regional self-help and cooperation in economic and social development; and maintain an orientation toward the West.

These objectives have been pursued by the United States primarily through a small technical assistance program which brings together specialists from the three member countries as well as the United States for training, conferences and workshops. Recently these have emphasized agriculture, education and health.

AID-encouraged cooperation in joint solutions of common problems has, for example:

- Established the philosophy of preventive medicine in medical schools;

- Installed border patrols against narcotics smuggling;
- Improved organization for farm marketing.

A CENTO Multilateral Technical Cooperation Fund has made possible at modest expense the exchange of several hundred experts and trainees by Iran, Pakistan and Turkey as a regional self-help device to increase skills.

In earlier years, AID has furnished Supporting Assistance loans or grants to finance a number of major CENTO capital projects. A microwave telecommunications system now links Tehran, Karachi and Ankara; a road has been built linking Turkey and Iran; a regional air navigational system will be finished in 1967; and a railroad link being built between the rail systems of Turkey and Iran is scheduled for completion in 1969.

Fiscal Year 1968 Program

Under the proposed $500,000 Technical Assistance program for fiscal year 1968, AID will continue to provide experts and financing for conferences and workshops in the regional member countries. Topics under consideration include livestock marketing, communicable disease control, education administration and earthquake damage minimization. Also, AID will continue to support the Multilateral Technical Cooperation Fund.

As a CENTO member, the United Kingdom also provides support for economic projects.

REGIONAL PROGRAMS

An overall U.S. objective in the Near East and South Asia is to encourage regional cooperation and to strengthen institutions serving the whole region, such as the American University of Beirut.

Celebrating last year the centennial of its founding by an American Presbyterian minister, the U.S.-sponsored university checked its rolls of former students and found that its alumni included the current United Nations ambassadors from several Middle Eastern countries, a nation's president and a premier, and many other leaders in government, business, the professions and cultural fields.

The major regional program continues to be the training of Near Eastern and South Asian students at this influential educational institution, where they may obtain Western-type education in a Middle Eastern environment.

Since 1951, AID has sponsored nearly 3,200 students there from countries of this region and Africa. Some 80 percent receive training in education, agriculture, engineering and public health, while others study business and public administration.

About 500 AID-sponsored students from the region are expected to be enrolled at the American University in the 1967–68 school year—approximately the same number as the previous year. Short-term training in

teaching methods and English improvement courses, provided last summer for some 100 students, will be repeated for the same number during the summer of 1967.

Other Regional Projects

Seminars for selected skilled and professional personnel from all the countries of the Near East and South Asia are also sponsored as regional projects. These meetings, which will be continued in fiscal year 1968, have been held periodically for the past seven years to exchange ideas and gain new knowledge of such varied matters as the importance of irrigation for increasing food crops, range management for increased meat production, development banks to aid industrial development and trade union organization to offset Communist influence among workers.

A new regional program planned for fiscal year 1968 will be aimed at halting the transmission of cholera and other communicable diseases. During the past two years, major cholera outbreaks in several countries that threatened to spread to others were arrested with the help of emergency control measures financed from the President's AID Contingency Fund.

Under the new regional project, longer-term solutions will be sought by:

- Improving the ability of health personnel in the area to identify cholera clinically;
- Expanding production and improving the quality of vaccine made in the area;
- Developing basic services to deal with epidemics and central communications channels for dissemination of information on an epidemic situation.

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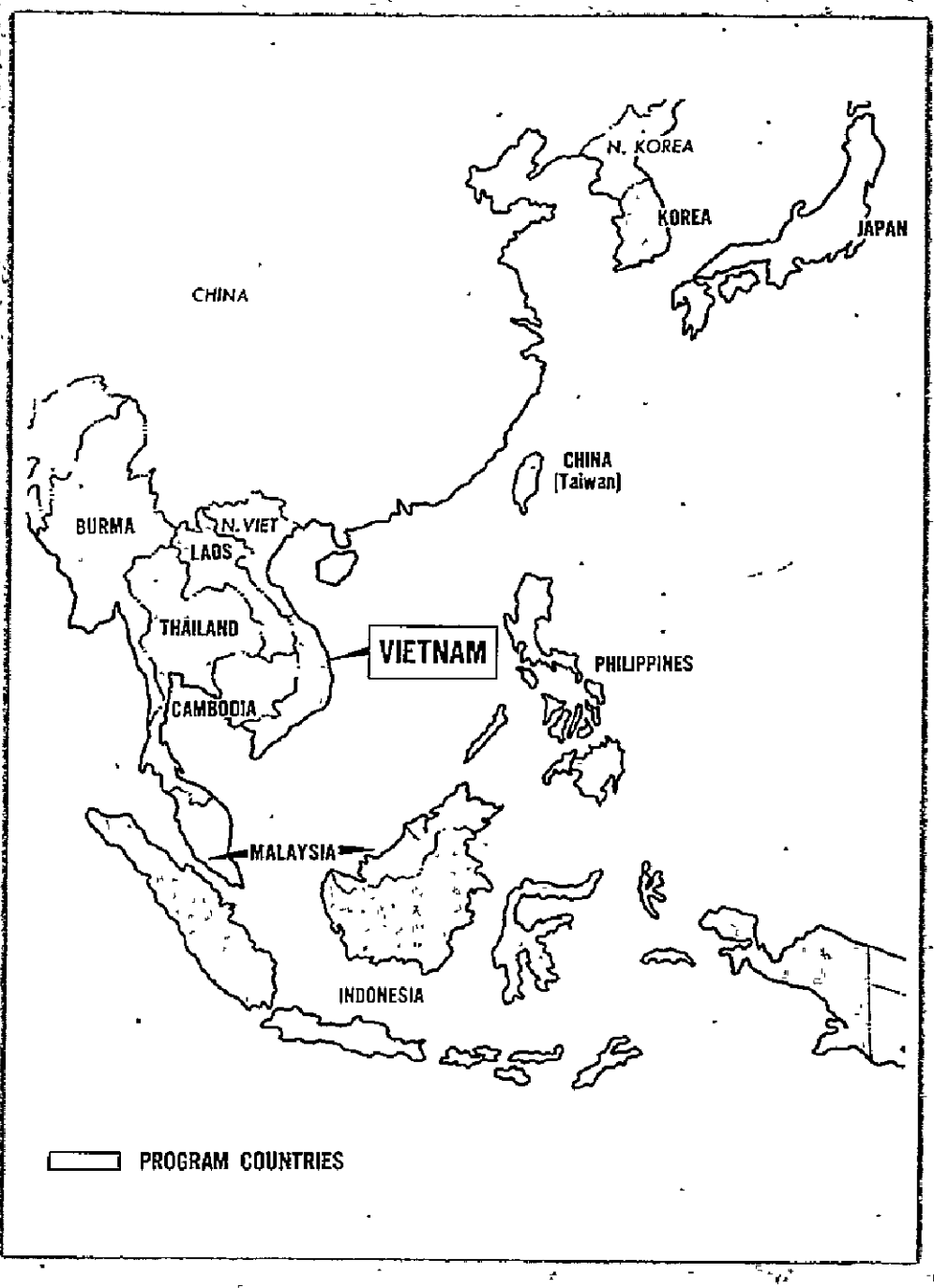
EAST ASIA and VIETNAM

FY 1968 PROGRAMS

EAST ASIA ... $260 million

VIETNAM ... $550 million



IX. EAST ASIA

A series of policy decisions in the 1950's established the framework of United States policy in East Asia. These decisions engaged U.S. military, political and economic resources in efforts to deter or contain Communist expansion and to help the relatively weak nations on the periphery of Communist China achieve viable independence.

This general policy has been pursued and refined by successive administrations. And it has succeeded beyond expectation in much of the region:

- In Japan's example of a free society progressing in an Asian setting and working closely with its smaller neighbors and the West in programs of regional economic cooperation;
- In the Republic of Korea's surge toward self-support while making major contributions to mutual security;
- In Taiwan's achievements in rural and industrial development despite heavy defense burdens;
- In strong Asian initiatives, following President Johnson's historic Baltimore address in 1965, to create or strengthen regional security and progress.

This policy of assistance to East Asian countries that seek to maintain their independence while becoming self-supporting has also led the United States into a long and costly struggle in Vietnam, where final success still lies ahead.

Economic aid is a major tool of American policy in East Asia. Without it, there would today be immediate economic and political chaos in South Vietnam and Laos, no hope of sustaining Indonesia's return from the brink of Communist take-over, a forced reduction in Korea's military commitments and a stalling of its economic progress, and increasing unrest among the people of Thailand and the Philippines.

In the longer perspective, East Asia is a key area in the race between world food production and world population. The race probably will be lost unless Southeast Asia greatly increases food production and at the same time checks unrestrained growth of populations. Progress in the time still available will require intensive efforts by the Southeast Asian countries, aided and stimulated by capital investments which must come from the United States and other wealthy nations. U.S. participation in this "War on

Hunger" is likely to be a major element of American foreign policy in East Asia in the years ahead.

U.S. economic aid programs in the region are of four mutually reinforcing types:

- Support for a war economy and "Revolutionary Development," as in Vietnam;
- Help in countering the threat of Communist insurgency, as in Laos and Thailand;
- Assistance to economic stabilization and long-range development, as in Korea, the Philippines and Indonesia;
- Support for Southeast Asian regional cooperation and development, as in the Mekong Basin program, the Southeast Asian educational program and the Asian Development Bank.

Support to Vietnam

Because of the size and complexity of its Vietnam program, AID has established a bureau devoted exclusively to Vietnam affairs. The Vietnam program therefore will be discussed in a separate section of this presentation.

Preventing and Countering Insurgency

Some AID programs in East Asia are designed to help prevent and eradicate those economic and social conditions in which Communist subversion takes root. These concentrate on rural areas, where about 80 percent of the people live and where the greatest heritage of neglect is found. AID's goals are to increase local security, economic opportunity, health and education services, social justice and popular participation in the processes of government.

For example, in Laos AID focuses assistance on selected "village clusters," helping them develop and become both strong points of security and models of mutually confident relationships between people and government. AID conducts limited or "forward area" assistance programs in strategic locations where security is too marginal for a full cluster program.

In Thailand, the largest single field of AID assistance is police improvement and expansion, especially in rural areas. AID also helps an accelerated rural development program in the northeastern and northern parts of the country, the areas most vulnerable to Communist subversion and insurgency.

In the Philippines, troubled by social unrest in central Luzon that is reminiscent of the Huk rebellion of 1953, AID is assisting the new government with a strengthened rural development program in 11 key provinces.

Long-Range Development and Stabilization

Through development loans and other programs, AID helps East Asian nations with long-range development and stabilization. The Republic of

China on Taiwan—now economically viable—is a striking example of the success of such a long-range development effort decisively assisted by foreign aid. South Korea has achieved sustained development and is progressing rapidly toward self-support. In Indonesia, new leaders have reversed the previous rapid trend of that country of more than 100 million people toward Communist domination and economic chaos. Although political and economic stability and rehabilitation are their immediate goals, the new leaders consider them preliminary to the real objective of development. The new government of the Philippines also has given encouraging indications of renewed efforts toward economic progress and internal stability.

East Asia Regional Development

In his Baltimore address of April 1965, President Johnson called on Asian leaders to expand cooperative efforts to achieve economic and social development in Southeast Asia. He also suggested that many advanced countries increase their commitments to regional development. The President urged development as an alternative to exclusive dependence on arms for the preservation of peace following settlement of the war in Vietnam.

There followed significant growth in East Asia regional cooperation, much of it realized in the past year. Most notable steps include establishment of the Asian Development Bank (ADB) and creation of the Southeast Asia Ministers of Education Secretariat (SEAMES); expansion of the Mekong Basin program; discussions of regional problems at the Southeast Asia Development Conference and the Southeast Asian Agricultural Conference, both held in Japan, and at a Manila Conference of Asian Ministers of Labor; the start of intensive efforts to strengthen Southeast Asian regional education centers; and creation of the Asia and Pacific Council. These Asian initiatives, encouraged and supported by the United States, represent a quickening of regional cooperation scarcely imaginable two years ago.

ASSISTANCE FROM OTHERS

Other free world nations and international institutions also provide substantial assistance in East Asia.

Grants and credits for Indonesia were made or authorized in 1966 by West Germany, Japan, the Netherlands, France, India, Pakistan, Australia and Taiwan. In addition, the United Nations announced that several of its specialized agencies would resume technical assistance there. American assistance to that country during fiscal year 1967 is provided in consultation with the International Monetary Fund (IMF) and with the expectation that future aid will be extended in a multilateral framework including

both the IMF and the World Bank. The IMF will probably coordinate such aid initially, with the World Bank or the ADB eventually assuming the role. The December 1966 consensus of Indonesia's western creditors that it be given generous debt relief was a good start toward coordination of aid programs.

The World Bank has formed a multilateral consultative group on Korean assistance and development that will coordinate loan and grant aid from nine nations, the IMF and the United Nations Development Fund.

Laos receives continuing aid from France, the United Kingdom, Australia and Japan, and periodic help from Germany. UN agencies also have assisted Laos through training in public administration, health, agriculture and education.

Many aid donors and lenders are assisting the Philippines, including UN agencies, Spain, the Netherlands, Japan, the Rockefeller Foundation, Ford Foundation, Asia Foundation, and private groups in West Germany. About 3,000 Filipinos are studying in Australia under scholarships from the Southeast Asia Treaty Organization and other groups. The World Bank has made loans to the Philippines National Bank for a private development corporation and for power, agricultural credit and other projects. The International Finance Corporation, a World Bank affiliate, is an investor in the private development corporation.

Thailand's excellent credit status has resulted in many foreign loans to the country. The World Bank has lent $110 million for highway projects, dam and irrigation facilities, and capitalization of a corporation which finances local industries. The Colombo Plan and private foundations have also made loans.

FISCAL YEAR 1968 PROGRAM

AID estimates East Asia program requirements in fiscal year 1968 at $260 million, a decrease of $6.4 million from fiscal 1966 commitments and of $3.1 million from estimated fiscal 1967 commitments.

The fiscal 1968 estimate provides for U.S. participation in multilateral assistance to Indonesia and for increased financial help to the Philippines, taking into account gradual reductions in economic aid to Korea.

Supporting Assistance proposed for East Asia in fiscal 1968 totals $119 million, compared with fiscal 1966 commitments of $124.5 million and estimated fiscal 1967 commitments of $105.4 million.

Technical Assistance funds of $55 million are requested, compared with fiscal 1966 commitments of $35.6 million and estimated fiscal 1967 commitments of $44.2 million. The increase in fiscal 1968 provides for regional development programs now moving into the commitment stage, support for expanded programs in education, health and rural development,

East Asia Program Summary

(Millions of Dollars)

	Fiscal year 1966 actual	Fiscal year 1967 estimated	Fiscal year 1968 proposed
Development Loans	$80.0	$85.2	$86.0
Technical Assistance	35.6	44.2	55.0
Supporting Assistance	124.5	105.4	119.0
Contingency Fund	26.3	28.3	....
Total	$266.4	$263.1	$260.0

and response to the improved climate for long-needed programs in the Philippines and Indonesia.

AID proposes East Asian Development Loans of $86 million in fiscal 1968, compared with commitments of $80 million in fiscal 1966 and estimated commitments of $85.2 million in fiscal 1967. Korea received all of the fiscal 1966 loans but will receive a declining proportion in fiscal years 1967 and 1968.The scheduling of loans to other Asian nations reflects their increased ability to develop sound loan proposals, to raise local capital for development projects, and to maintain the financial and fiscal discipline required for efficient use of limited resources.

AID's fiscal 1968 program for East Asia will emphasize the following:

Regional Development

AID proposes to support Asian initiatives by:

- Assisting SEAMES in the establishment of high-quality regional educational centers in such fields as agricultural research, engineering, mathematics, science, tropical medicine, and English-language training;
- Continuing to encourage and help the four member countries of the Mekong Committee (Laos, Thailand, Cambodia and South Vietnam) to prepare specific plans for developing the water resources of the Mekong River basin;
- Assisting regional cooperation in agricultural development;
- Promoting development of coordinated national plans leading to economically integrated transport and communications systems in the region.

The founding governors of the ADB have proposed establishing special funds for multilateral financing of the Mekong development program and for Southeast Asian agricultural, transportation and communications pro-

grams. Implementing the President's intention, asserted in the State of the Union Address and the Foreign Aid Message of this year, and depending on the progress of discussions with the ADB and potential donor countries, Congress may be asked to approve legislation authorizing American contributions to these special funds.

Self-Help by Aid Recipients

AID and Public Law 480 (Food for Freedom) programs will continue to emphasize maximum self-help by assisted nations. With AID encouragement and assistance, East Asian countries substantially increased their self-help efforts in the past year.

The Laotian Government increased taxes, reduced government expenditures and took other helpful actions on budgetary problems, drawing favorable comment from the IMF. The Thai Government stepped up the fight against insurgency and the conditions in which it breeds by placing stronger emphasis on rural development and police improvement in threatened areas of the country. The Philippine Government acted to mobilize funds for development, to improve tax administration and to implement long-delayed investment programs. The new Indonesian Government began an IMF-recommended austerity program to halt inflation and restore order to the economy. The Koreans, continuing an annual stabilization program developed with AID assistance, increased savings and tax revenues rapidly, contributing to rising levels of investment and per capita income.

East Asian aid recipients increasingly recognize the validity of insistence—by AID, the IMF and the World Bank—that even greater self-help measures will be needed if they are to accelerate their economic, social and political progress.

War on Hunger

Some Asian countries have made good progress in food production—for example output in Thailand and Taiwan is keeping pace with growth of populations, and Korea may be self-sufficient in grain production in a few years. On the other hand, farm production lags behind needs in much of Asia. Indonesia and the Philippines, for example, both face serious food shortages.

In fiscal 1968, AID will give priority to food production and the expansion of regional programs in agricultural research and planning. AID will continue to assist Korea with agricultural planning and administration, strengthening of cooperatives, and land development and reclamation. In Thailand, AID will continue support for the accelerated rural development program, helping with agricultural research and extension, farm credit, the development of small agriculturally-based industries, soil conservation and rural electrification. AID's proposed program for Laos will focus on development of improved seed, self-help irrigation projects, and

introduction of modern farming methods. AID also plans to help establish a regional vegetable production and marketing research center in Taiwan and to support SEAMES initiatives in regional agricultural research. The proposed ADB special funds for multilateral financing of regional agricultural programs would contribute importantly to the War on Hunger.

Rural Development

To speed rural development, AID will continue to use broadened and coordinated development techniques, concentrating on threatened areas of Thailand, Laos and other countries. The goal is not merely an increase in farm productivity but also improvements in village and provincial leader training, education, health, potable water supplies, sanitation, cooperatives and other important aspects of rural life.

This integrated approach requires that AID advisors be sensitive to the problems of village life and able to cope with them. AID therefore will continue intensive instruction of advisors in the local language, communications techniques, local and area social attitudes and institutions, geographic and political factors, and methods of operating under conditions of actual or potential insurgency.

AID's rural development programs emphasize self-help. For example, Food for Freedom wheat provided to Korea pays workers on self-help community development projects, including irrigation, land conversion and reclamation, and reforestation. More than 7,700 of these food-for-work projects were conducted in 1965 and 1966, resulting in irrigation of nearly 100,000 acres, conversion or reclamation of more than 86,000 and reforestation of 17,000. In fiscal 1968, Food for Freedom will support more than 300 provincial development programs.

Population and Family Planning

East Asian food production and needs can be balanced only by coupling agricultural development with restraints on growth of populations. At present growth rates, the populations of the non-Communist East Asian countries would double every 25 years.

The East Asian nations are increasingly aware of the importance of family planning to economic growth. Population problems have been a major subject of recent regional and international meetings, including those of the United Nations Economic Commission for Asia and the Far East (ECAFE), the Colombo Plan and the Pacific Science Association. Korea and Taiwan have government-sponsored family planning programs; nongovernmental programs are under way in the Philippines and other countries; and both Indonesia and Vietnam have requested AID assistance with population problems.

Besides AID, organizations helping East Asian nations with population studies and family planning include ECAFE, the Population Council, the

International Planned Parenthood Federation, the Ford Foundation and the Rockefeller Foundation.

AID has helped arrange Population Council assistance to Vietnam and Indonesia, and will continue technical assistance to Korea's family planning program. Although AID ended economic assistance to Taiwan in 1965, local currency obtained through the sale of U.S.-owned food commodities in previous years will continue to be available for family planning purposes.

In fiscal 1968, AID will consider a request that it help develop a proposed regional population institute at Bangkok, Thailand, which would sponsor population research and provide demographic training. It will also continue negotiations for Population Council sponsorship of research, test projects, data collection and analysis, and regional conferences and workshops.

Improving Government and Maintaining Security

Because national boundaries in Southeast Asia often cut both natural geographic divisions and ethnic groupings, the people of these countries are mainly oriented to the village and frequently have little grasp of the concept of "nation." Further, because of inadequate communications and transportation systems, the central governments often have been unresponsive to rural needs. They have tended instead to concentrate on large-scale development projects and to train administrators only at the national level.

But East Asian governments are now giving increasing attention to needs of remote areas of their countries. In fiscal 1968, AID will continue assistance in developing and coordinating provincial and village administration and in encouraging local government leadership.

In Korea, AID assistance to the central government with budgeting and tax collection improvements will be extended to the provincial level. In the Philippines, where local government is more advanced than in many other East Asian countries, AID will continue to help achieve better coordination of municipal activities. AID assistance to Thailand will support further improvement of administration at the provincial, district and local levels, while in Laos the village cluster and forward area programs will help develop local leadership and strengthen local government. Thirteen clusters have been established, another is being set up, and two more are planned for fiscal 1968. In addition, two existing clusters will be converted to training centers for Lao Government rural administrators. Forward area programs are being increased from five to nine in fiscal 1967 and another will be added in fiscal 1968.

Law and order are essential to the development of national and local governments. AID's proposed program for Thailand will support increases in provincial and border patrol police. Provincial police expansion will be directed to establishing a regular police presence at the township level, giving villagers greater protection against insurgents and bandits. Similarly, AID public safety programs in Korea, Laos and the Philippines will continue

help in equipping and training local police forces to combat banditry and subversion. These programs also contribute to more responsive and impartial government by emphasizing that police must serve the community and earn the respect of its people. Beyond this, AID and other U.S. agencies stress improved administration of justice.

Improved Education

Development of education is a prerequisite for economic, social and political advancement in East Asia. AID programs in the region will continue to concentrate on teacher training, classroom construction, textbook production and distribution, and expansion of vocational education programs. Taiwan, Australia and West Germany also contribute to regional textbook programs.

AID's immediate aim in Thailand and Laos will continue to be improvement of education as a basic community service, helping enlist stronger support of the rural people in the process of nation-building. A comprehensive report on secondary education in Thailand, prepared by an AID-sponsored team from Michigan State University, already has resulted in improved secondary education in rural areas. In Laos, AID will continue to help increase teacher training enrollment. The goal is to increase the present enrollment of about 1,900 to 3,000 by the end of 1968. AID assistance to Korea will remain focused on vocational education, including teacher training and agriculture. AID has provided a major portion of the equipment for 60 vocational education schools.

AID's fiscal 1968 program also includes support for SEAMES initiatives to establish regional educational centers in agriculture, engineering and other fields.

Better Health

Disease and malnutrition are problems throughout much of East Asia. AID will continue to assist renewed attacks on these problems. For example, in the area of preventive health AID and the U.S. Public Health Service will continue assistance to malaria eradication programs in Thailand and the Philippines, and will help provide safe drinking water in rural Thailand and Laos.

AID's proposed program also includes participation in direct health care programs. In Laos, it will help operate nearly 200 health facilities serving some 400,000 people. In Thailand, it will assist a broadening network of rural health centers and mobile medical teams. Two such teams, assigned to a province formerly served by only one medical officer, have treated 51,000 patients and immunized more than 53,000 persons during their first six months of operation. These programs are not only of direct value to the health of rural people but also are indirectly valuable in countering insurgency.

AID is also concerned with long-range health improvement goals in East Asia. Its fiscal 1968 program includes continued assistance to the SEATO cholera research laboratory in East Pakistan, which is identifying important factors in the spread of epidemic cholera and seeking a vaccine. AID will also help SEAMES determine the feasibility of establishing a regional center of tropical medicine and research.

Private Enterprise and Individual Initiative

AID's East Asian program assigns high priority to the development of private enterprise and encouragement of individual initiative. The importance of free enterprise to economic development has been demonstrated in Taiwan and is increasingly evident in Korea. AID will continue to encourage and help other East Asian nations to strengthen the private sectors of their economies.

With AID assistance, Thailand is establishing a favorable climate for private investment. It has set priorities for industrial development and is encouraging private investments in it. AID has issued two extended risk investment guaranties on private American investments in Thailand, one for a housing project of more than 800 homes, the other for a paper company which will be the second largest industry in the country. Besides private U.S. financing, nearly 1,200 Thai investors are investing in the paper company.

In the Philippines, AID provides technical assistance to investors both directly and through the Economic Development Foundation, a private, non-profit Philippine organization which identifies, evaluates and promotes industrial projects. In fiscal 1968, AID will consider loans to stimulate establishment of agriculturally-related industries, to provide business credit through intermediate private lending organizations, and to help start a savings and loan institution.

The new Indonesian Government has shown interest in assisting small businesses and in ending previous governmental hostility toward larger enterprises. The government has improved the climate for foreign investments and has started to negotiate the return of former holdings to their foreign owners. As another stimulus for investment, Indonesia has signed an agreement authorizing AID to guarantee private American investments in the country against losses caused by inconvertibility of currency, expropriation, war and other risks.

KOREA

Korea continues to make good progress toward economic self-sufficiency—the basic goal of American assistance to the country.

Through AID and predecessor agencies the United States has invested about $2.6 billion in Korea's economic reconstruction and development since

the end of the Korean War in 1953. As Korea has progressed, U.S. assistance has shifted from a grant to a predominantly loan basis, has declined from a yearly average of $235 million in the 1950's to an average of $140 million in the 1960's, and is still declining.

The record of Korea's economic growth is impressive:

- Gross national product (GNP) increased at an annual average rate of 5 percent during the 1950's and has averaged about 9 percent a year in this decade, including an estimated gain of nearly 12 percent in 1966;
- Per capita income rose from $92 in 1963 to $110 in 1966;
- Industrial production in 1966 was an estimated 13 percent higher than in 1965, and 38 percent above the 1963 level;
- Exports have increased 500 percent since 1962, including a 54 percent gain in 1966 over 1965;
- Grain production went up nearly 38 percent in the past six years;
- Domestic revenue collections increased from $185 million (7.4 percent of GNP) in 1964 to $416 million (12.1 percent of GNP) in 1966.

A dangerous and largely uncontrolled inflation characterized the Korean economy in the early 1960's and the cost of living doubled. In 1963 the Korean Government adopted a fiscal and monetary stabilization program developed with AID assistance and subsequently adjusted ceilings on interest rates, improved tax administration, and took other actions to control inflation and speed economic development. As a result, domestic savings increased sharply and price increases were held to modest levels in 1965 and 1966.

Korea's economic progress has given its people increased confidence in their nation's future and in the concept of an open and democratic society. This in turn has made possible the difficult political decisions to send combat troops to Vietnam and to normalize relations with Japan. The Japan-Korea agreements of December 1965 settled a number of outstanding problems between the countries, and resulted in Japan's agreeing to provide Korea with $200 million in grant aid, $300 million in low-interest loans, and $300 million in commercial credits over a 10-year period.

Key Obstacles to Progress

Korea's economic gains are especially impressive considering the obstacles to growth.

Because of mountainous terrain, only 21 percent of the land can be farmed. And Korea must feed a population of nearly 30 million that is growing by 2.9 percent a year. The country also has limited mineral deposits

and other natural resources. It therefore must import food and other commodities, contributing to an unfavorable foreign trade position.

Korea's economic development is hindered also by the need to maintain one of the largest standing armies in the world to discourage renewed Communist aggression. More than one-tenth of the country's able-bodied men serve in the armed forces, removing them from economically productive work, and defense expenditures account for a substantial part of the national budget. The United States assists Korea's defense program by providing major military assistance.

Another serious problem for Korea is a lack of trained and experienced managers. The Koreans did not manage their own governmental and business affairs until the Japanese withdrew from the country in 1945. Further, although many Koreans are well-educated and 90 percent are literate, their traditional education did not prepare them for the technical and administrative problems the country now faces. This shortage of managers is easing as modern education expands.

U.S. Goals and Methods

The United States assists Korea so that it can continue to develop in a politically stable environment. Without support from America and other aid donors Korea could not provide needed social programs and still maintain her defensive strength. Further, success in Korea will demonstrate that a scarcity of natural resources need not limit a country's development—through self-help and adequate assistance from other nations it can achieve self-sustaining growth.

United States assistance to Korea is keyed to the goals of the country's Second Five-Year Plan. AID advisors helped draft the plan, which aims for a seven percent annual increase in gross national product, a doubling of domestic savings, increases in agricultural production, and a strengthening of management capabilities.

Korea's progress has lessened the need for AID assistance. Supporting Assistance, which totaled $92.4 million in fiscal year 1962, will be less than half that amount this fiscal year and will be reduced further in fiscal 1968. Development loans, which totaled $80 million in fiscal year 1966, will decline in both fiscal 1967 and fiscal 1968. AID will also reduce its Technical Assistance commitments in fiscal 1968.

Sales of agricultural commodities to Korea under Public Law 480 will decline in fiscal 1968, and also change in nature. Wheat sales will drop as Korea meets more of her external grain requirements by commercial buying. On the other hand, cotton and tallow sales will increase, reflecting the growing industrial demand for these products.

AID assistance to Korea is designed to encourage self-help. For example, AID loans to import commodities generally are contingent on improved fiscal and monetary management. A $10 million loan was tied to improved performance in budgeting, management of foreign exchange, restraints on credit,

tax collections and domestic savings. Korea met each of the goals set by AID.

AID programs will continue to encourage Korean self-help in such areas as fiscal and monetary stabilization, export promotion, stimulation of private investments and market liberalization, and provision of assistance will be tied to these self-help efforts.

Other Aid Donors

The United States cooperates with the World Bank to improve the coordination of aid to Korea. The bank sponsored the formation of a Consultative Group for Korea at a Paris meeting in December 1966. Members are Australia, Belgium, Canada, the Republic of China on Taiwan, France, Germany, Italy, Japan, the United States, the International Monetary Fund and the United Nations Development Program. The group agreed that the Korean economy has performed impressively and that the Second Five-Year Plan offers a good basis for future development.

Ravi Gulhati, who led the World Bank team at the Paris meeting, said that Korea's "past achievements are not accidental. They have been secured in spite of poor natural resources. These achievements are the result largely of a diligent labor force, imaginative entrepreneurship, relatively favorable sociological conditions, a large supply of foreign aid and most importantly a distinctive improvement in the environment of economic policies."

Although the United States will continue to provide the largest portion of aid to Korea during fiscal 1968, other nations and international organizations also will extend substantial assistance. Japan is expected to provide grants and loans totaling $50 million, while West Germany will probably lend $25 million. The World Bank and its International Development Association also are prepared to consider loans. Several international agencies are planning technical assistance programs.

Fiscal Year 1968 Program

AID assistance to Korea in fiscal 1968 will focus on:

- Improving mobilization and allocation of resources;
- Speeding industrial growth and efficiency;
- Developing the rural economy;
- Improving social planning, education, health, manpower, and housing and urban development;
- Improving government administration.

Mobilization and Allocation of Resources

Korea's steady economic progress in recent years reflects the improved use and distribution of the country's resources through strong self-help measures.

For example, through the stabilization program, improvements in tax administartion and other actions, Korea reduced the rise in its wholesale price index from 34 percent in 1964 to only eight percent in 1966. Investments in 1966 increased by 40 percent over 1965, and the percentage of the gross national product channeled into savings almost doubled.

AID will encourage further improvements next fiscal year by:

1. Releasing Supporting Assistance and Development Loan funds only as Korean economic performance reaches agreed standards.

2. Supporting the Korean budget, although at a reduced rate, with local currency provided under the Supporting Assistance and Public Law 480 programs. These funds will be released only after the United States and Korea agree on domestic revenue goals and on Korean government grain pricing and procurement policies.

3. Continuing to insure sound use of resources in AID loan-financed projects and substantial Korean participation in the financing.

Industrial Development

Korean industries increased their production by 8 percent in 1964, by 17 percent in 1965 and by an estimated 13 percent in 1966. AID development loans have contributed significantly to this rise in output. In fiscal year 1966 alone, AID lent Korea $80 million for such diverse purposes as:

- Doubling of a cement plant's production to 300,000 metric tons by April 1968.
- Assistance to small and medium industry through a $5 million loan to the Medium Industry Bank. The bank has received applications against the loan totaling $14 million, reflecting the demand for financing in this segment of the economy.
- Expansion of Korea's annual nylon production from two million pounds to eight million pounds, or about 80 percent of the needs of the Korean market.

In fiscal 1968, AID will consider development loans to provide essential raw materials and spare parts needed by Korea's industries, to assist the transportation system, to expand power facilities, and to provide business financing through intermediate credit institutions.

AID will continue technical assistance to industrial quality control, marketing, and development of water and other natural resources. It will also promote research in technical fields and in the applied sciences by continued help to the Korean Institute of Science and Technology.

Agriculture and Rural Development

Korea has made remarkable agricultural progress in the last six years. For example, grain production has increased an average of 6.3 percent a year since 1960, and Korea's Second Five-Year Plan seeks to eliminate the country's dependence on grain imports and U.S. Public Law 480 sales by 1971. Besides assistance to grain production, AID is helping to introduce high-value items such as fruits, vegetables, livestock and marine products. AID is also helping to achieve more efficient production and distribution of agricultural produce and increased investments in agriculture.

AID's agricultural assistance already has helped Korea to:

- Bring 632,000 acres under irrigation;
- Reclaim 401,000 acres;
- Provide potable water to 340,000 rural people;
- Distribute 263,400 tons of fertilizer in fiscal 1966.

In fiscal 1968 AID will assist Korea with agricultural policy, planning and administration, and will help the National Agricultural Cooperatives Association improve credit, marketing and management policies. AID will also assist agricultural research and training, and provide PL 480 food to support Food-for-Work land development and reclamation programs.

Under the Food-for-Work program, Koreans on relief rolls are assigned to community development projects, receiving PL 480 wheat as compensation for their work. The United States plans to contribute 178,000 metric tons of wheat to the Food-for-Work program in fiscal 1968 to help carry out more than 300 provincial projects.

Social Development

Korea's economic gains have made possible greater attention to social advancement. The educational system is being modernized and health, housing and urban activities are being expanded. Korea has begun a national family planning program to reduce the current annual population increase of 2.9 percent to 2 percent by 1971.

In fiscal 1968, AID will continue assistance to major social development programs, concentrating on education. It will give further help in establishing a National Education Commission to analyze educational facilities and develop long-range plans, and will assist science, vocational and business education. Technical assistance also will be provided to the family planning program and to urban planning and housing.

Nearly two million Korean students, including about 12,000 at the university level, are enrolled in schools which AID has assisted. AID has given major attention to vocational education, both industrial and agricultural. It has helped expand vocational education facilities, improve school curricula and provide in-service training courses.

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Government Administration

AID will continue to help the Korean Government improve administration, especially of the tax system. With AID assistance, domestic revenue collections were more than doubled between 1964 and 1966, chiefly through better tax collection procedures. Domestic revenues, around 8.8 percent of the gross national product in 1965, are expected to reach about 15 percent in 1967.

LAOS

Laos is a landlocked country bordering Communist China, North and South Vietnam, Cambodia, Thailand and Burma. One of the smallest and poorest countries of the world, it is also a major recipient of AID assistance. In fiscal year 1966, AID commitments to Laos totaled $57.2 million, chiefly in Supporting Assistance to help maintain the Laotian economy. Only nine other countries out of a total of 72 assisted received more AID economic assistance in the year.

The United States provides extensive assistance to Laos because it seeks Laotian development and because the country is essential to U.S. objectives in all of Southeast Asia. These include restricting Communist use of Laos for infiltration into South Vietnam and Thailand and maintaining the security of the Mekong Valley.

United States assistance to Laos supports the country's security forces, contributes to economic stability, and encourages and aids economic, social and political development.

Obstacles to Development

Laos, one of four independent countries emerging from the former French colony of Indo-China, is an agglomeration of various ethnic groups. Rugged jungles and mountainous terrain are barriers to communications and transportation. Regional rivalries also make unification difficult. Ninety percent of the country's three million people live in primitive rural hamlets, eking out a meager existence. Government services are weak and in some areas almost non-existent. Only five percent of the people are in school, and only 15 percent are literate, compared with 68 percent for all of East Asia. Life expectancy is 30 years. The gross national product per capita is $60 a year compared with $294 for East Asia as a whole.

Laos became a French protectorate in 1893 and six years later a part of the Indo-Chinese Union. During World War II, a resistance movement helped drive first the Japanese and then the French out of the country, and in 1947 King Sisavang Vong united the two kingdoms of Luang Prabang and Vientiane under a constitutional monarchy. A treaty with France two years later led to Laos' full sovereignty. When his father died in 1959, King Sri Savang Vatthana succeeded to the throne. On July 23, 1962, a 14-nation conference in Geneva guaranteed Laos its independence and neutrality.

The Pathet Lao, today the Communists' military arm in Laos, were part of the resistance movement in World War II. They were originally represented in the 1962 coalition government (conservative, neutralist and pro-Communist elements), but their representatives left the administrative capital of Vientiane in April 1963, and since that time the Pathet Lao have boycotted the legitimate government and attacked government forces. The Pathet Lao are supported by supplies from the North Vietnamese and are assisted by North Vietnamese military forces which use Laos as a supply route to South Vietnam and an infiltration route to Thailand.

Laos lags behind her neighboring countries and all of East Asia in skilled manpower, transportation facilities, education, commerce and industry, agricultural output and health. Although about 90 percent of the people are engaged in farming, food production is the lowest in East Asia. There is one doctor for every 49,000 Laotians. On Taiwan, the ratio is one doctor for every 1,500 persons. Laos has few exports with which to earn foreign exchange to meet her large import requirements, and has long suffered from inflationary pressures, exhaustion of foreign exchange reserves and balance of payments deficits.

The country's economic and other problems are aggravated by the need for military spending to combat the Pathet Lao in the field and to increase security for the people in their homes.

Lao Accomplishments

Largely through the efforts of the neutralist leader, Prime Minister Souvanna Phouma, Laos has maintained its coalition form of government. Elections held in January 1967 with a minimum of disruption produced a strong majority committed to support Souvanna despite the Pathet Lao boycott.

The Lao Government is following a stabilization program recommended by the International Monetary Fund and supported by the United Kingdom, France, Australia, Japan and the United States. Except for a period following a major 1966 flood, price increases have been held to moderate levels since 1964. The government, showing increasing responsibility in fiscal matters, held the budget deficit in 1966 below estimated levels by raising taxes, reducing expenses, and tightening controls over the official use of foreign exchange.

In education, AID has helped Laos to construct more than 3,300 classrooms, and 93 percent of the country's students attend schools which AID has assisted. About 2,200 Lao are being trained as teachers this year compared with only 102 a decade ago. About two million textbooks in the Lao language have been distributed to elementary school children who previously had few books of any kind and none in their own language.

The AID-assisted "Village Cluster Program," which links Laotian hamlets into administrative clusters, is strengthening local leadership and creating a working relationship between local institutions and the central

government. The program is also helping to increase food production and to provide better health and education for the rural people. The cluster program has been expanded to embrace 13 areas with 340,000 people, about 20 percent of the rural population. Typically, one AID community development officer and two Americans from the International Voluntary Service (IVS) serve in each cluster, helping the villages determine their needs and developing ways to meet them. IVS is a private organization under contract to AID.

Agricultural development activities are directed mainly toward increasing rice production by introducing new varieties which yield about 20 percent more than older varieties, expanding irrigation, and improving farming methods.

Despite greater North Vietnamese reinforcement of the Pathet Lao, the Lao Government has been able to regain lost ground both in the north and in the south in the past two years. Nevertheless, a quarter of a million Lao—about one-tenth of the population—are refugees from Communism. AID helps the Lao Government care for these people by providing housing materials, clothing and food, and by assisting in resettling them in new homes.

A new AID-financed medical warehouse was built in 1966 to serve as the supply point for dispensaries and hospitals throughout the country. The warehouse will make possible an increase in the number of persons—currently about 150,000—receiving medical attention.

AID Goals

AID assistance to Laos has three main goals: to help stabilize the economy, to assist the government with its security effort, and to promote economic and social development.

Assistance to monetary stabilization, including contributions to a multi-donor foreign exchange fund, financing of a U.S. commodity import program, and reimbursement of the Lao Government for certain other foreign exchange needs, amounted to $17.5 million in fiscal year 1966.

AID is now developing its programs to a larger extent through the Lao Government, preparing for the transfer of certain expenses such as refugee relief and national defense costs to the Lao budget.

In the field of economic and social development, AID programs are focused mostly on those projects which can show rapid results in such tangible areas as rice production, road-building and public health.

Fiscal Year 1968 Program

Supporting Assistance to help maintain the Laotian economy will continue to account for most AID commitments to Laos in fiscal 1968. AID also plans commitments for refugee relief, food for the military forces, air service contracts, development projects and expanded programs in agriculture, education and health.

Monetary Stabilization

To provide foreign exchange required for economic stability, the Foreign Exchange Operations Fund (FEOF), which includes contributions from the United States, the United Kingdom, France, Australia and Japan, sells foreign exchange on the free market. FEOF has proved to be an effective stabilization instrument, and the United States has shifted the major share of its stabilization support from the commodity import program to FEOF, thereby providing an increased portion of its assistance at the free market rate of 500 Lao kip per dollar rather than at the official rate of 240 kip per dollar.

In fiscal 1968, AID will continue a small commodity import program. It will also continue to reimburse the Lao Government, though on a reduced scale, for certain essential foreign exchange expenditures such as the costs of higher education, medical treatment and official government expenses in areas of the free world outside the franc zone.

Agriculture

The principal development activity in Laos is agriculture. AID assistance in increasing farm output is tied in closely with the Village Cluster program. In fiscal 1968, AID will continue its help in introducing improved seed, expanding irrigation, and providing farmer training, with the goal of making Laos self-sufficient in rice production within the next three to five years. Rice plantings were 20 percent greater in 1966 than in the year before, but the disastrous flood wiped out the anticipated increase in production.

Rural Development

AID assistance to rural development will concentrate on the Village Clusters. One more cluster will be added to the present 13 before the end of June 1967 and two more are scheduled for fiscal year 1968. Two existing clusters will be converted to training centers for Lao Government rural administrators in fiscal 1968.

AID is also conducting "forward area" or limited assistance programs in those parts of the country where security is too marginal for a full cluster program. AID is increasing forward area programs from five to nine in the current fiscal year and will add another program in fiscal 1968.

Education

With AID assistance, teacher training enrollment should be increased from 1,924 last year to 3,000 before the end of 1968 and 4,000 in 1971. AID will continue to help build elementary schools, and a secondary school now under construction in Vientiane should be completed by October 1967.

Health

AID will help provide medical care to about 500,000 people through assistance to nearly 200 public health facilities operated by the Lao Govern-

ment. Among these facilities are 27 hospitals or infirmaries. Under contract with AID, the Philippine's Operation Brotherhood will staff seven municipal hospitals and 22 village clinics.

Road-Building

In fiscal 1966 AID helped build 80 miles of new road, improve another 85 miles of old road, and maintain 1,200 miles of road. This represents a large percentage of the country's total of 2,700 miles of roads. AID also assisted in building 38 bridges and repairing 14 others. AID will continue to assist the Lao road building and maintenance program in fiscal 1968.

Public Administration

The program of helping Laos improve its economic performance will continue through technical assistance, particularly in the fields of budget management and revenue collection.

Small Industries

AID will seek to help Laos establish new industries, especially those that will process local materials. However, industrial development is a long-range process in a country so rural and so beset with security problems, and no major development in this field can be expected for some time.

THAILAND

Thailand, now committing over one-half of its national budget to development, enjoys the highest economic growth rate of any Southeast Asian nation. In 1966, the Thai gross national product increased an estimated 8 percent, agricultural production went up 4.5 percent, and foreign exchange reserves and government revenues both gained substantially.

However, Thailand's ability to continue rapid economic development is threatened by a Communist insurgency which is supported by Communist China and North Vietnam. Without U.S. and other foreign aid, the country would be forced to curtail development programs and concentrate a greater share of its resources on security measures. Further, the programs which would suffer from such reductions might well include rural development and other activities designed to eliminate some of the vulnerabilities which the Communists hope to exploit.

AID assistance amounts to about one-fifteenth of the Thai national budget, with other countries and international organizations contributing a slightly larger proportion of aid. The goals of AID assistance are to help Thailand:

- Maintain its independence in the face of an externally supported insurgency;
- Continue economic, social and political progress;

- Contribute to accomplishment of U.S.-Thai objectives in Southeast Asia, including support for Vietnam.

Obstacles to Progress

Communist insurgency, principally in the Northeast provinces, is one of the greatest barriers to Thailand's continued development. Although the insurgents are still relatively few in number, they are described by Hanoi and Peking as conducting a "peoples' struggle" and being the forerunners of a "national liberation movement."

The Northeast region, bordering on Laos, is one of the poorest and most remote areas of the country. Historically it has been somewhat isolated from the mainstream of Thai national development. However, the government is making a strong effort to extend economic and social progress and self-government to these regions. With AID assistance it is emphasizing rural development and encouraging the growth of local government leadership.

Another obstacle to Thailand's development is its lack of sufficient resources to finance both economic and security programs. Despite substantial gains in tax collections and other domestic revenues, the country will incur a large budget deficit in fiscal year 1967.

Recent Country Performance

Thailand has achieved the highest economic growth rate in Southeast Asia over the past decade. Gross national product increased by 9 percent in 1964, by 6.5 percent in 1965, and by an estimated 8 percent in 1966. At the same time, Thailand has avoided balance of payments difficulties and maintained a fully convertible currency.

Imports have risen rapidly as the economy has expanded and have consistently exceeded exports. Other receipts—for example, from tourism and capital inflows—have more than offset this deficit, and as a result Thailand's holdings of foreign exchange have risen steadily in recent years, totaling $924 million by the end of 1966. This substantial growth in Thailand's foreign exchange reserves, however, has been matched by a rising import level so that the ratio of reserves to annual imports has not changed significantly in recent years.

The government also has increased tax collections and other domestic revenues, and total revenues should reach $644 million in the current fiscal year, a six percent increase over fiscal 1966.

Since 1960, Thai agricultural production has increased by about 4.5 percent a year. This is 1.2 percent more than the increase in population and makes Thailand one of the few developing nations that is gaining in the war on hunger. Thailand's grain exports also are growing. In 1966 the country was able to help meet food deficits in India, Pakistan, Indonesia and Vietnam. If irrigation is expanded and the use of fertilizer increased.

Thailand should become an even more important food supplier to other Asian nations.

The government has allocated increased funds for an accelerated rural development program in the sensitive Northeast provinces. AID assistance also is concentrated in this area. With AID help, the government is providing increased assistance to agriculture, education and health, is increasing police protection, and is developing local administrative institutions by training local leaders and by giving greater authority to revitalized township councils.

Thailand provides vital support facilities to the U.S. military efforts in Vietnam and also has given direct military and other assistance to Vietnam. The U.S.-Thai alliance is strongly based on a broad coincidence of views and security interests in Southeast Asia.

Thailand has taken a leading role in organizing regional cooperation and multilateral efforts for development in East and Southeast Asia. Bangkok is the headquarters for 19 regional and international agencies engaged in Asian development.

Other Aid Donors

A Consultative Group to encourage and coordinate economic aid to Thailand was formed in 1965 under World Bank auspices. Members include Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, New Zealand, Switzerland, the United Kingdom and the United States. Non-U.S. members of the group will probably provide about two-thirds of the aid requirements under Thailand's Second Five-Year Plan.

Thailand already has received substantial development assistance from sources other than the United States. The World Bank, for example, has lent $110 million for highway projects, dam and irrigation facilities, and capitalization of a corporation which finances local industries.

Fiscal Year 1968 Program

AID will continue to concentrate on helping the Thai Government expand and speed up its efforts to prevent the growth of Communist insurgency. The fiscal 1968 program will focus on assistance to public safety and rural security, rural development, health, education, strengthening of local government and long-range economic growth.

In general AID will not provide development loans to Thailand since it has substantial foreign exchange reserves and can readily obtain capital from other nations, the World Bank, the Export-Import Bank and other lending institutions. However, AID will continue to help the Thai Government determine the feasibility of capital projects as a basis for loan applications to other nations and lending institutions.

Public Safety and Rural Security

The Thai Government is emphasizing increased police protection against insurgents and bandits in rural areas. It seeks to establish a perma-

nent police presence at the township level, with patrols to the villages; to provide village and township level radio communications to dispel the sense of isolation and insecurity and to provide police quick-reaction units to respond to calls for assistance.

The largest single field of AID assistance will be help with police improvement and expansion. A substantial proportion of AID's proposed fiscal 1968 commitments relate to public safety and rural security, with most of the funds being planned for vehicles, radios, weapons and other equipment for the Thai police. These items will be used largely to equip and train the provincial and border patrol police forces, which were increased by 4,550 men during 1966.

AID will also continue support to the recently organized air support division of the police forces. This division provides unified air support to all elements of the Thai national police.

Rural Development

About 45 percent of the planned AID commitments are for rural development, including assistance to health, education and development of local government.

Most AID assistance will go to the accelerated rural development program, which is helping to achieve economic and social improvement in the Northeast and other areas most vulnerable to Communist subversion. AID will assist with long-range activities such as agricultural research and extension, and with short-term impact projects such as digging of wells and construction of small ponds and rural feeder roads. AID will also help provide agricultural credit, develop small agriculturally-based industries, and expand soil conservation and rural electrification programs.

Farmers in Northeast Thailand will soon be able to obtain more information on improved agricultural practices because of the work of a new agricultural research station assisted by AID. Under an AID contract, the University of Kentucky will assist the Thai Department of Agriculture with technical and scientific research on agricultural improvement. A 14-man team from the university will work with Thai officials on a 300-acre area near Khon Kaen.

Health

AID will assist rural health centers, mobile medical teams, preventive health activities such as malaria eradication, and village health and sanitation programs.

The mobile medical teams, some of which include U.S. Army medical corpsmen, are deployed in rural areas of the Northeast. Two such teams, assigned to a province formerly served by only one medical officer, treated 51,000 patients and immunized more than 53,000 persons during their first six months of operation.

Malaria has long been the greatest single cause of sickness, debility and death in Thailand. The United States has assisted a malaria eradication program since 1951 and the number of Thais afflicted by the disease has been reduced from about two million that year to approximately 200,000 last year. The goal is elimination of the disease by 1972. AID provides technical guidance and commodities like DDT, with the Thai Government paying about two-thirds of the total cost of the program.

Education

AID will provide technical guidance, textbooks and other teaching materials for use in the Northeast provinces and will assist long-term programs of educational planning, teacher training, and vocational and agricultural education.

AID already has provided 1.8 million textbooks, basic commodities and advice to help establish rural schools, and has assisted the Mobile Adult Education Training Program which teaches simple vocational skills. In the present fiscal year, 842,000 students are attending schools which AID has assisted, including teacher training and agriculture schools.

Development of Local Government

AID will continue to assist the Thai Government's efforts to strengthen local leadership and local government. It will support the "Village Leader Training" program, under which village leaders form committees to study and solve local problems, and the "Developing Democracy" program, under which the leaders of a number of villages organize into township councils which have legal structure and authority.

Long-Range Economic Development

The proposed program for fiscal 1968 also includes assistance to long-range economic development. AID will help improve government administration, statistics gathering and labor services, and will stimulate private investments and industrial development.

With AID assistance, Thailand is establishing a favorable climate for private investment. It has set priorities for industrial development and is encouraging private investment in it. AID has issued two extended risk investment guaranties on private American investments, one for a housing project of more than 800 homes, the other for a paper company which will be the second largest industry in the country. Besides private U.S. financing, nearly 1,200 Thai investors are providing funds for the paper company.

OTHER EAST ASIA PROGRAMS

Indonesia

The new leaders of Indonesia are making a strong effort to overcome the destructive consequences of President Sukarno's years of misrule. In

the past year the new government has curtailed the power of domestic Communist forces, reversed Indonesia's trend toward Communist Chinese domination, halted the costly dispute with Malaysia, and begun a stabilization program developed with International Monetary Fund (IMF) assistance. Indonesia has rejoined the United Nations, the IMF and the World Bank and has become a member of the Asian Development Bank (ADB).

In acting to stabilize the economy, the new government has discontinued economically unsound projects; substantially increased tax collections; projected a balanced budget for 1967; imposed rigorous controls on bank credit; liberalized economic regulations to permit freer markets, particularly in foreign trade; set a more realistic exchange rate to stimulate exports, and re-established the Central Bank's authority over foreign exchange.

The government also has approved a new and more favorable foreign investment law, has started to negotiate the return of former holdings to their foreign owners, and has authorized AID to guarantee private American investments against loss from inconvertibility of currency, expropriation and other risks.

These actions will help to ease Indonesia's grave economic problems. However, restoration of the economy seemingly will be a long and difficult task. An inflationary spiral resulting in a 2,000 percent price increase in one year was inherited from the previous regime; the transportation system has virtually collapsed; basic economic and human resources are grossly underutilized; governmental machinery needs modernizing, and the population of 107 million, already the world's sixth largest, is increasing by an estimated 2.3 percent a year.

U.S. and Other Assistance

The United States is approaching in a multinational context both the short-term and longer-range problems of the Indonesian economy. Participating in the Indonesian recovery effort are a number of European and Asian countries as well as the IMF and World Bank. The December 1966 consensus of Indonesia's western creditors that it be given generous debt relief was a good start toward coordination of assistance.

The United States has provided $26.4 million of rice and cotton to Indonesia under a Public Law 480 credit agreement this fiscal year, to help meet serious food and cloth shortages, and has provided a loan of $10 million to finance the purchase of spare parts, machinery and raw materials from the United States.

Other nations also are providing substantial assistance. Grants and credits for Indonesia were made or authorized in 1966 by West Germany, Japan, the Netherlands, France, India, Pakistan, Australia and Taiwan. In addition, the United Nations announced that several of its specialized agencies would resume technical assistance to the country.

Fiscal Year 1968 Program

AID's proposed fiscal 1968 program for Indonesia includes technical assistance to education, training and civic action programs, and dollar credit sales of Public Law 480 commodities, chiefly cotton. AID will also consider authorizing development loans to finance imports of spare parts and raw materials needed to implement Indonesia's continuing program of stabilization and economic reconstruction.

Indonesia desperately needs government administrators and teachers. AID therefore will concentrate technical assistance on training programs, including training of Indonesians in the United States, and will provide books and other educational materials. It will also assist civic action programs and will use Public Law 480 commodities to support food-for-work projects.

To encourage multilateral aid to Indonesia, the United States will limit its economic help to the country, including Public Law 480 commodities, to about one-third of total free world assistance. The exact amount of future U.S. aid will depend largely on Indonesia's progress in stabilizing its economy; the amount of assistance provided by the World Bank, the IMF, the ADB, and Indonesia's creditors, and the success of aid donors and international agencies in establishing a multilateral framework for assistance. The IMF will probably coordinate such aid initially, with the World Bank or the ADB eventually assuming the role of coordinator.

Philippines

The Philippines has not made sufficient economic and social progress in recent years to insure stability. The country is troubled by social unrest in central Luzon reminiscent of the Huk rebellion in 1953, and dissatisfaction can be expected to grow unless the pace of development is speeded up.

The United States is increasing its aid to the country to help eliminate the root causes of unrest and to further Philippines-U.S. objectives. These objectives are:

- To maintain the republic's independence;
- To strengthen its political, social and economic institutions;
- To accelerate its economic and social development;
- To continue the traditionally close ties between the two nations.

Key Obstacles to Progress

The new Philippine administration of President Ferdinand Marcos, which took office in 1966, faces many barriers to development. Lack of leadership and of responsible administration and management have frustrated previous development efforts. Local revenues, though rising, are still in-

adequate to finance social and economic growth. The country has serious tax and customs difficulties due partly to widespread smuggling. Maintenance of law and order in both urban and rural areas continues to deteriorate. These obstacles to development are compounded by a population growth rate of 3.4 percent a year—one of the highest in East Asia—and lagging food production.

Recent Country Performance

President Marcos has given evidence of being a strong and purposeful leader. He has stressed self-help by his country, reduced government spending, attacked smuggling and tax violations, appointed capable administrators to many government posts, and begun a program of land reform and rural development with initial concentration on 11 key rice-producing provinces. In the legislative area, he has obtained support of the Philippine Congress for easing restrictions on foreign and domestic borrowing, for improving and strengthening the police forces, and for increasing penalties on smugglers.

President Marcos also has shown a marked capacity for leadership in international affairs. He has increased his country's support for Vietnam and its role in the operations of the Asian Development Bank and the Association of Southeast Asia.

Other Free World Aid

In addition to the United States, other nations and international agencies are assisting the Philippines. They include Spain, the Netherlands, Japan and United Nations agencies. The Rockefeller Foundation, Ford Foundation, Asia Foundation and private groups in West Germany also are providing assistance. About 3,000 Filipinos are studying in Australia under scholarships from the Southeast Asia Treaty Organization and other groups. The World Bank has made loans to the Philippines for a private development corporation and for power, harbor, agricultural credit and education projects. The International Finance Corporation, a World Bank affiliate, is an investor in the private development corporation.

Coordination of Assistance

AID works closely with the World Bank, the IMF and the Export-Import Bank in determining Philippine needs and considering assistance with them. It is urging the Philippine government to obtain World Bank and IMF guidance in preparing a multi-year development plan, and is seeking establishment of a World Bank consultative group to coordinate assistance to the country.

Fiscal Year 1968 Program

AID's proposed program for the Philippines in fiscal 1968 includes technical assistance to agriculture, health, education, industrial development

and public administration; sales and donations of Public Law 480 commodities, and possibly development loans.

Agriculture

The Philippines are losing the war on hunger. Despite fertile lands and a favorable climate for agriculture, the country has had to increase its imports of basic foods. AID therefore will focus much of its fiscal 1968 program on assistance to rural development and rice production, chiefly in the key provinces of central Luzon and other rice-producing areas. The goals will be improvements in government services to these provinces, introduction of better farming methods, establishment of sources of farm credit, a speeding up of land reform, and expansion of irrigation and rural electrification. Greater provincial and municipal government participation in these programs is being encouraged.

The AID program will have helped the Philippines irrigate more than 598,000 acres of land by the end of fiscal 1967. AID-assisted agricultural credit institutions will lend Filipino farmers an estimated $66 million this fiscal year, bringing farm loans since the start of the AID program to about $319 million.

Health and Education

AID assistance to health will continue to concentrate on malaria eradication. AID provides six malaria specialists to work with four technical advisors from the World Health Organization and almost 4,000 Filipinos in a campaign to eliminate the disease. With AID help, 8.7 million Filipinos—about one-fourth the population—have been protected from the disease. AID also plans to assist sanitation and potable water programs, and to provide continued help with education. More than 132,000 Filipinos are enrolled during the present fiscal year in schools which AID has assisted, including 28,000 students in agriculture schools.

Industrial Development

Since the private sector accounts for 90 percent of the Philippines' economic activity, the country's economic growth depends heavily upon expansion of private efforts and private investment. In fiscal 1968, AID will continue technical assistance to investors both directly and through the Economic Development Foundation, a private, non-profit Philippine organization which identifies, evaluates and promotes industrial projects. It also will consider authorizing development loans to stimulate establishment of agriculturally-related industries, to provide business credit through intermediate private lending organizations, and to help start a savings and loan institution.

Public Administration

AID will continue assistance to tax and customs administration, financial management and personnel administration. It will give particular atten-

tion to improving law enforcement and strengthening internal security. A recently completed Philippine-U.S. study of law and order problems and the passage of a police reform bill by the last session of the Philippine Congress will provide a basis for a major program in this field.

Burma

Burma shares a 1,200 mile border with Communist China and thus is directly exposed to Communist pressures. To help insure its continued independence, Burma pursues a foreign policy of noninvolvement and neutralism.

The Burmese Government makes only limited use of external aid and has requested no new U.S. economic assistance in fiscal 1968. However, it is keenly interested in the completion of several AID-assisted construction projects begun under prior-year agreements.

In fiscal 1968, AID will continue engineering and other technical assistance to these projects, which include development of a new Liberal Arts College for Rangoon University, improvement of the Rangoon water and sewerage systems, construction of two special services buildings for Rangoon General Hospital, and establishment of a modern teak sawmill.

EAST ASIA REGIONAL PROGRAM

U.S. assistance to regional programs and projects in Southeast Asia has three principal objectives:

- To contribute to progress and stability in the area by supporting regional cooperation;
- To encourage greater involvement in Southeast Asian development by other advanced nations through multilateral institutions;
- To encourage the United Nations and its Economic Commission for Asia and the Far East (ECAFE) to expand their role in the development of the area.

However, several major obstacles stand in the path to achievement of these objectives. One is that the Southeast Asian countries have little traditional basis for cooperation, since pre-independence ties were almost exclusively with the colonial nations. Another is that Communist aggression continues to frustrate or prevent meaningful economic development in the region. A third is that except for Japan, which has committed itself to expanded assistance to Southeast Asia, the general problem remains of obtaining increased support from other advanced nations for major development programs in Southeast Asia, in addition to their subscriptions to the Asian Development Bank (ADB).

Nevertheless, important progress in regional cooperation has been made in the past two years, as evidenced by establishment of the ADB, progress

of the Mekong Basin program, creation of the Southeast Asia Ministers of Education Secretariat (SEAMES), and the start of other strong Asian moves toward cooperation in agriculture and other fields. These Asian initiatives deserve U.S. support, not only for inherent value of the programs and projects but also because they give substance to a hopeful trend in an area long weakened by local hostilities.

Fiscal Year 1968 Program

AID estimates requirements for East Asia regional development in fiscal 1968 at $13.6 million, including $12.6 million for Technical Assistance and $1 million for Supporting Assistance. This compares with fiscal 1966 commitments of $15 million and estimated fiscal 1967 commitments of $7.3 million. In addition to the requested AID appropriation, Congress may be asked in fiscal 1968 to authorize U.S. contributions to ADB special funds for multilateral financing of regional projects in agriculture, transportation, communications and other fields.

AID's fiscal 1968 regional program will focus on the following:

Mekong Basin Program

The Lower Mekong River, flowing through and along the borders of Laos, Thailand, Cambodia and South Vietnam, is one of the great natural resources of Southeast Asia. The Mekong Basin program will benefit the four countries by developing the river basin and harnessing the river for hydroelectric power and irrigation.

The United States contributes to the program as part of a multilateral effort by 25 countries and 12 UN agencies. In fiscal 1968 AID proposes to contribute to engineering and other surveys and studies, and to finance priority projects. AID plans a commitment of $3.4 million to assist a feasibility study of the proposed Pa Mong multipurpose dam, to be located near Vientiane, Laos, and Nongkai, Thailand. AID also proposes to use the requested $1 million of Supporting Assistance for improvement of boat building and cargo-handling facilities in Laos and Thailand, as proposed by the Mekong Committee (Laos, Thailand, Cambodia and South Vietnam).

Education

Technical Assistance funds of $6.0 million are requested for U.S. support of the Southeast Asian regional education program. SEAMES has concurred in establishment and support of an Asian Institute of Technology and regional centers for graduate study and research in agriculture, tropical medicine, teaching of science and mathematics, and English language training. SEAMES plans also call for an expansion of educational radio and television, book development, and special workshops and seminars. AID will help with development of the approved projects and with study of new proposals.

Agriculture

AID proposes a Technical Assistance commitment of $500,000 to help establish a regional vegetable production and marketing research center in Taiwan. The Republic of China on Taiwan and other countries also are expected to contribute. AID will consider support for the SEAMES proposal to establish a center of graduate study and research in agriculture at Los Baños in the Philippines.

Health and Sanitation

AID plans a commitment of about $650,000 to assist the Southeast Asia Treaty Organization cholera research laboratory in East Pakistan. It will also help SEAMES plan the establishment of regional programs for coordination of tropical medicine and research in Southeast Asia.

Industry

In cooperation with Japan, the Ford Foundation and others, AID will continue assistance to the Asian Productivity Organization (APO). The APO, founded in 1961, is unique in Asia as an organization devoted to increasing industrial productivity, assisting private enterprise, and promoting business cooperation. AID will assist a small industries management consultants program and other projects.

Other Programs

AID will consider financing a regional transportation survey and a study of priority transportation projects which fall within a regional plan. AID also proposes to support other activities that can be carried out more effectively and economically on a regional basis than through bilateral programs. Examples include the training of trade union leaders from a number of East Asian countries at the Asian Labor Education Center in Manila and technical training of Asians within the region.

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X. VIETNAM

United States assistance to Vietnam has two purposes:

- To prevent a Communist conquest of Southeast Asia;
- To help Vietnam modernize its society, bolster its civil economy, develop its representative institutions, and provide a better life for its people.

The battle for Vietnam involves far more than the future of that war-torn country—it is a test of free world resistance to Communist takeover of vulnerable nations throughout East Asia. If the free world falters or fails in Vietnam, the door will be opened to intensified Communist subversion and aggression in Thailand, Laos and other countries.

In the midst of the military effort in Vietnam, the Agency for International Development wages another and equally important war. It is the battle to preserve Vietnam's economic stability, to bring constructive change to the countryside, to reduce poverty, disease and ignorance among the people.

This "other war" is an unprecedented foreign assistance program, requiring a substantial share of AID's budget. In the present fiscal year, $525 million of AID's total appropriation of about $2.1 billion will be used to assist Vietnam. In fiscal 1968, AID has budgeted $550 million for Vietnam out of a total requested appropriation of approximately $2.6 billion.

AID grants, and revenues originating from AID imports, provide about one-third of South Vietnam's national budget of nearly $700 million and much of the cost of the new "Revolutionary Development" program to improve life at the hamlet level.

OBSTACLES TO PROGRESS

There are formidable obstacles to achievement of AID objectives in Vietnam, including:

Security Problems

Lack of security in much of the country slows progress in Revolutionary Development, limiting agricultural and industrial production, adding to the refugee population which now totals over 800,000, and restricting travel and the distribution of goods.

Manpower Shortages

Shortages of Vietnamese manpower, skilled and unskilled, hamper almost every AID program. The demand for skilled workers far exceeds the supply. For example, Vietnam has only about 1,200 doctors, of whom more than 700 have been drafted into the armed forces, and relatively few nurses and other health workers. AID therefore must rely on U.S. medical personnel, and medical teams from other free world nations, to help fill the need. Semi-skilled and unskilled labor also is in short supply, and Vietnamese manpower resources have had to be supplemented by workers from the Philippines, Taiwan, Korea and other countries.

Scarcity of Administrators

Like doctors, experienced and able administrators are hard to find in Vietnam. Local government leadership has been decimated and demoralized by years of Viet Cong assassinations and kidnappings. Further, administrative and technical skills essential to effective government are inadequate. In the case of such programs as port management and land reform, for example, the lack of a sufficient number of qualified administrators presents a major barrier to success.

Supply Difficulties

Moving supplies into Vietnam and on to the people poses enormous problems of transportation, storage and security. Military and civilian activities have strained limited loading, warehousing, transportation and management capabilities. The Port of Saigon, Vietnam's principal port, was designed to handle 1.5 million tons of cargo a year. Today it must handle cargo at an annual rate of more than five million tons. To expand the port's capacity, AID has provided new unloading facilities and the largest civil storage complex in Vietnam, with 672,000 square feet of warehouse space scheduled for completion this spring.

Vietnam's internal transportation system, inadequate even when operating at 100 percent efficiency, has been hard hit by Viet Cong sabotage and roadblocks, making delivery of goods even more difficult.

Inflationary Pressures

Since mid-1965, the Vietnamese economy has been under strong inflationary pressures resulting from these factors:

- The increase in U.S. military forces in the country from 18,000 at the start of 1965 to more than 400,000 today;
- The assignment of other free world forces, such as Korean combat troops, to Vietnam;
- Expansion of the Vietnamese military and police forces;

- The disruption of farm output, and a resulting shift in Vietnam's position from a rice-exporting nation (300,000 tons a year) to a net importer (700,000 tons this year);
- Increased competition for workers, leading to higher labor costs;
- The government's difficulty in distributing the tax burden equitably.

These inflationary pressures, now being held in check by Vietnamese-U.S. stabilization efforts, will continue. However, a June 1966 devaluation of the Vietnamese piaster was of tremendous help to the economy. The spreading out of costly projects over longer periods also will help hold piaster expenditures within tolerable limits.

PROGRESS TO DATE

The relative longevity of Premier Nguyen Cao Ky's government, which came to power in June 1965, is attributable to military successes and progress of Revolutionary Development, improvements in government administration, and important steps toward establishing a constitutional civil government.

In June 1966, the Ky government broadened the ruling directorate to include 10 civilians on an equal basis with the 10 military representatives. It later established a civilian-military advisory council to the government composed of 60 civilians and 20 military men.

In national elections held September 11, 1966, the Vietnamese people chose 117 deputies to the Constituent Assembly charged with the responsibility of writing a new constitution. The new constitution has been written and arrangements are now being made for the election of a president and a national assembly later this year. Hamlet and village chiefs, and village, municipal and provincial councils also are being elected by the people. Later, provincial chiefs, now appointed by the government in Saigon, will be freely elected.

All provinces voted in the September elections, and 4.3 million persons representing 81 percent of the registered voters and about 56 percent of the people of voting age, went to the polls.

In December 1966, the central government issued a decree reorganizing local government, and local elections were scheduled for this spring.

Financial Gains

In 1966, the Vietnamese Government established and adhered to an austere budget of $525 million. Government revenues, including counterpart funds generated through U.S. aid programs, nearly equaled government expenditures. The government's goal in 1967 is a budget of about $700 million.

Following consultations with the International Monetary Fund, the Vietnamese Government on June 18, 1966, devalued the piaster. From the former dual rates of 60 and 73.5 Vietnamese piasters to the American dollar, the piaster was reduced to an effective exchange rate of 118 to the dollar. Devaluation resulted in a marked increase in revenue collections. Total Vietnamese Government revenues, excluding foreign aid, reached an estimated 41 billion piasters in 1966 compared with 15.1 billion in 1965.

Three months before the devaluation, the Vietnamese Government began strong efforts to collect back taxes and also placed heavier levies on nonessential goods and industries. As a result, revenues from internal sources in 1966, including customs duties, were double those in 1965.

At AID's urging, the Vietnamese Government acted to halt collusive business arrangements between suppliers and importers and to increase competition within the import community. The government authorized new firms to obtain import permits, thus ending the monopoly of a few firms which had been sharing the growing market. Today there are more than 2,000 licensed importers in Vietnam. The government also abolished a quota system of allocating foreign exchange to importer groups.

The Vietnamese Government has significantly increased the amount of its own foreign exchange made available for financing imports. In 1965 import licenses issued against government foreign exchange holdings were valued at $115 million. In 1966 the value of such licenses was $246 million.

Revolutionary Development

In 1966, AID helped the Vietnamese Government develop a new and better plan to protect the countryside, restore its economic health, and provide it with modern services. Called Revolutionary Development, it combined or replaced all previous pacification efforts. It is based on the work of 59-man teams which form a "bridge" between the long-neglected rural people and their government. The teams provide help and guidance with hamlet administration, construction, local security and improvement of social justice. By the end of 1966, about 30,000 Revolutionary Development workers were assisting the rural people, with teams operating in every one of Vietnam's 44 provinces. Plans for 1967 call for the training of approximately 20,000 additional workers.

Through Revolutionary Development, almost one million more Vietnamese were brought within the sphere of central government protection and assistance during 1966.

With funds from the Vietnamese Government and construction materials from AID, villagers have carried out self-help projects in education, health, public works and agriculture. About 5,700 self-help projects such as wells, market places, and dispensaries were completed in 1966. In the first nine months of the year, 1,588 hamlet classrooms were built.

The Vietnamese strongly desire better education. In the 1954–55 school year, there were 400,000 Vietnamese elementary students (first five grades). By the end of the 1965–66 school year, the number had grown to 1.7 million, more than a third of whom attended schools built with AID assistance and were taught by teachers trained in the AID-supported hamlet school program. The elementary school population will total 2.9 million by 1970, placing an ever-higher priority on the provision of secondary education, especially in the rural areas. To help meet this need, the Vietnamese Government and AID plan to build and equip 600 secondary classrooms during 1967 and 1968.

Police Improvement and Expansion

The Vietnamese National Police force has been nearly doubled in the past two years, from 33,500 at the end of 1964 to over 63,000 at the close of 1966. Besides performing such normal functions as maintaining law and order and protecting lives and property, the National Police of Vietnam must help in the fight to overcome the Viet Cong. While the armed forces seek out and destroy enemy military forces, the police gather intelligence on Viet Cong clandestine operations and movements, maintain order in urban and rural areas freed of overt Viet Cong influence by military forces, and prevent the movement of men and material into Viet Cong hands.

By the end of 1966, the Vietnamese National Police were manning almost 700 checkpoints and had captured more than 1,000 guns and rifles, about 8,500 tons of food, and large quantities of medicines and other equipment destined for the Viet Cong. AID provides technical assistance to the police and by the end of November every province had an AID public safety adviser.

The Vietnamese Marine Police, established in November 1965, now operate 12 landing craft and 30 assault craft to supervise harbor traffic and to guard against theft and smuggling. Approximately 200 waterborne policemen had been recruited and trained by the end of 1966.

Care of Refugees

One result of the increased tempo of military operations since 1965 has been a massive movement of peasant families seeking refuge in more secure territory under Government of Vietnam control. When the government began a concentrated refugee relief program in October 1965, there were 455,000 refugees in temporary shelters and another 503,000 had been resettled or returned to their villages. By February 1967, 874,000 refugees were being sheltered, 561,000 had been resettled, and 354,000 had been returned to their villages.

Prime Minister Ky last year appointed a Special Commissioner for Refugees to centralize and coordinate all Vietnamese refugee relief activities. The government budgeted $12 million in 1966 for refugee relief and

rehabilitation, while the United States provided more than $20 million for goods and services.

Medical, water and sanitation facilities of refugee camps have been improved, and refugee relief payments increased from seven piasters (about six cents) per person per day to 10 piasters (about eight cents). The resettlement allowance has been raised from 3,500 to 5,000 piasters ($30 to $45), plus a six-month supply of rice.

The number of U.S. voluntary agencies directly engaged in refugee relief activities rose from seven to 18 in the past year, and their staffs were increased from 50 to over 100. Twenty-six U.S. voluntary agencies with about 400 American staff members are engaged in relief and rehabilitation programs in Vietnam.

Medical Care

Almost 1,200 free world medical personnel are serving in Vietnam, including people from Korea, Taiwan, the Philippines, New Zealand, Great Britain, Australia, Spain, Iran, Switzerland and the United States. The medical personnel are organized into teams, each usually having four doctors, seven nurses and three laboratory technicians. Working in provincial hospitals which are stocked with AID supplies, they care for more than 150,000 patients a month.

Under a contract with AID, the American Medical Association has arranged for 200 additional American doctors to serve in Vietnam on 60-day volunteer tours. Because of the services of these additional doctors, operating rooms at the provincial hospitals now can be kept open on a 24-hour basis.

Expansion of Port Facilities

Nine out of every 10 dollars worth of commercial cargo for Vietnam enters through Saigon, 45 miles upriver from the South China Sea. Three cities farther north—Da Nang, Nha Trang and Qui Nhon—account for the other 10 percent of imports. Obviously, to increase the country's import capability improvements must be concentrated at Saigon. Originally capable of handling only 150,000 tons of cargo a month, the Port of Saigon discharged 196,000 tons (both military and commercial) in November 1965 and nearly 415,000 tons last November. By November of this year Saigon Port should be able to handle 630,000 tons a month. An increasing amount of military cargo is being unloaded at Cam Ranh Bay, and further development of the other three northern ports plus Quang Ngai also will help ease the strain on Saigon.

Major measures taken to expand Saigon's facilities have included:

- Construction of New Port, upriver from the existing piers, where four deep-water berths and other facilities are scheduled for use by the military this spring;

- Assignment of the U.S. Army's First Logistic Command to supervise the handling of almost all AID project commodities (perhaps half of all AID imports this year) from ship discharge to government warehouse;
- Assignment of the U.S. Army's 125th Terminal Command as an advisory unit to the Vietnamese Saigon Port Director;
- Development of an automated accounting system for AID's commercial imports;
- Establishment of 14 additional deep-draft buoy sites and a floating dock, and construction of additional discharge and storage facilities such as the new civil warehouse complex at Thu Duc, scheduled to be fully operational by April.

AID ADMINISTRATION

AID has acted to improve and streamline administration of its Vietnam program, both in Washington and in its Vietnam Mission.

In Washington a separate Bureau for Vietnam has been established under an Assistant Administrator with the rank of Assistant Secretary of State.

In Vietnam steps taken have followed recommendations of an interagency task force established in Saigon in April 1966 to review U.S. efforts and propose an overall plan for civil assistance. Recommendations submitted in June 1966 were promptly implemented by the AID Mission through readjustments to concentrate assistance in the following four areas:

- Maintaining economic stabilization;
- Assisting Revolutionary Development;
- Relieving economic and social consequences of war;
- Preparing for future social and economic development.

The U.S. Mission in Saigon last fall established a new Office of Civil Operations (OCO) to integrate and direct all activities of U.S. civilian agencies supporting Vietnamese Revolutionary Development at provincial, regional and national levels, and to coordinate these activities with military efforts. The Deputy U.S. Ambassador heads OCO, while the AID Mission's Deputy Director for Field Operations serves as executive director.

Through AID and Public Law 480 programs, the United States supplied about $455 million worth of food, equipment and other commodities to Vietnam in 1966, compared with supplies totaling $266 million in 1965. Operation of a program of this magnitude in any less developed country would be difficult even under relatively stable conditions. In South Vietnam, the program faced tremendous problems. Its achievements, despite

these obstacles, are a tribute to Vietnamese-American cooperation and effort.

To administer the AID programs, the Mission staff in Vietnam was nearly doubled during 1966, from 823 Americans on January 1 to 1,667 at the end of the year. More than 500 additional American employees will probably be assigned to the staff by June 30, 1967. New systems, procedures and controls were adopted to strengthen AID's administration and management. Some specific actions:

- The Mission's U.S. auditing staff was doubled and controllers and traveling auditors were assigned to all regions;
- A U.S. Bureau of Customs team began assisting the Vietnamese Customs Office in improving its methods and in spot-checking AID-financed commercial imports;
- American logistics advisors were stationed in provincial and regional warehouses and automatic data processing specialists were assigned to the Mission.

FISCAL YEAR 1968 PROGRAM

AID's proposed program for Vietnam in fiscal year 1968 includes $550 million in Supporting Assistance grants and about $200 million worth of Public Law 480 commodities. Comparable figures for fiscal year 1967 are an estimated $525 million in Supporting Assistance and an estimated $188 million in Public Law 480 food.

AID-financed commercial imports in fiscal 1968 should decline from previous years ($398 million in fiscal 1966, and less than $285 million in fiscal 1967), since the Vietnamese Government is earning increasingly larger amounts of foreign exchange to use for imports. However, AID plans to expand technical assistance, refugee relief projects and long-range development programs. The proposed AID budget for Vietnam in fiscal 1968 therefore is slightly larger than in fiscal 1967.

Vietnam Program Summary

(Millions of Dollars)

	Fiscal year 1966 actual	Fiscal year 1967 estimated	Fiscal year 1968 proposed
Development Loans	. . . . .	. . . . .	. . . . .
Technical Assistance	$8. 9	. . . . .	. . . .
Supporting Assistance	470. 3	$525. 0	$550. 0
Contingency Fund	114. 2	. . . . .	. . . . .
Total	$593. 4	$525. 0	$550. 0

Through sales of Public Law 480 rice, cotton, tobacco, wheat flour and sweetened condensed milk, AID will help the Vietnamese Government to stabilize the economy. AID will also provide about $35 million of Public Law 480 bulgar, oil flour, raw cotton, milk and corn to be used as relief supplies.

War and natural disasters like last fall's Mekong Delta flood have badly disrupted production and distribution of commodities. At the same time, demand for goods and services, fed by the large troop buildup and the attendant construction activity, has steadily risen. Government expenses also are mounting. AID and Public Law 480 imports aim to counter these inflationary pressures by:

1. Introducing sufficient consumer goods and basic commodities such as cement, fertilizer and petroleum to prevent shortages and speculation;
2. Providing raw materials and industrial machinery to help meet local demand with local production;
3. Absorbing the tremendous amounts of money being spent on the war.

In fiscal 1966, AID's commercial import program (CIP) provided $398 million of foreign exchange for importation of such items as fertilizer, iron and steel products, machinery, chemicals, pharmaceuticals, synthetic fibers and industrial raw materials. Over the past 18 months purchases of piasters for military construction and for personal use by U.S. and other foreign personnel have greatly increased the Vietnamese government's foreign exchange earnings. The government therefore has agreed to increase its own financing of commercial imports to more than $300 million. This should enable AID to reduce CIP obligations in fiscal year 1967 to less than $285 million. The reduction in CIP expenditures has made possible greater AID commitments to the Revolutionary Development program and to longer-term development programs.

Revolutionary Development

Revolutionary Development is the Vietnamese Government's impact program against the Viet Cong campaign of terror, propaganda and political organization in the countryside. As military operations clear an area of organized Communist military units, paramilitary and police forces move in to eliminate and ward off Communist guerrilla activity. Behind this protective shield, the slow process of re-establishing the authority of the government and of helping the people begins.

AID provides technical assistance to public health, public works and public administration programs. It also supplies construction materials for the people to use in self-help community projects, and assists in establishing youth training programs. To increase food production, AID provides fertilizer—as much as 330,000 tons of it this year—pesticides and improved seeds.

In fiscal 1968, AID will continue to provide needed farm materials and will expand programs of irrigation and water management. In 1966 alone, almost a quarter of a million acres were irrigated and reclaimed. AID also plans to give major attention to animal husbandry, fisheries, land reform, farm cooperatives and agricultural extension programs.

AID has helped to construct nearly 6,300 hamlet classrooms (1963 through 1966) and 2,800 classrooms built through self-help efforts by the people. It will continue to emphasize classroom construction in fiscal 1968 and also help train about 3,800 elementary school teachers. Under AID's elementary school textbook program, about 9.4 million textbooks already have been distributed out of a total of 14 million to be distributed by the end of 1968.

Of Vietnam's 1.7 million elementary school pupils, 650,000 study in schools built with AID's help and are taught by more than 6,000 teachers trained by the AID-assisted hamlet schoolteacher training project.

AID's concern is not limited to elementary education. During fiscal 1968, AID will help build secondary school classrooms, will continue assistance to adult education programs, and will continue a training program for the blind.

Assistance to Urban Areas

Vietnam's industry is clustered around the country's urban areas. In fiscal 1968, AID-assisted training programs will concentrate on developing a growing pool of skilled labor in these areas. The programs will emphasize training of veterans and will be complemented by on-the-job training of about 66,000 Vietnamese employed by U.S. military contractors and U.S. Government agencies. AID will also give increased help with construction of workers' housing in urban areas.

Refugee, Casualty Relief

Refugee and civilian casualty relief will require increased AID attention in the coming year. The number of people displaced by military operations—more than 1,678,000 at the start of 1967—will probably continue to mount during the year. Also, despite all efforts to avoid them, civilian casualties may increase.

Medical Care

Vietnamese medical personnel and facilities remain critically short. AID has helped to build 6,434 health centers and subcenters and has provided enough vaccine to innoculate the entire population of the country—17 million—for smallpox and cholera. AID and the Department of Defense are providing equipment and supplies for a health program costing nearly $50 million in fiscal 1967. This is 10 times the budget two years ago.

With AID assistance, 759 doctors, 831 nurses and 3,737 first-aid technicians have been trained.

In the field of preventive health, AID has had more than 2,000 rural wells dug and nearly 400 potable water supplies installed. The new water facilities benefit more than one-third of the people of South Vietnam.

AID will expand each of these medical and health programs in fiscal 1968.

Long-Range Development

As additional areas of South Vietnam are made secure, AID is giving greater attention to long-range economic and social progress.

Under an AID contract, the Development and Resources Corporation, whose board chairman is David Lilienthal, former chairman of the Atomic Energy Commission, is joining with Vietnamese economists to prepare Vietnamese-U.S. plans for postwar economic development. In the transition to postwar life, the Vietnamese Government will have to take into account many problems, such as:

- Restoration of agricultural production, particularly of rice;
- Re-establishment of rail, road and canal transportation systems;
- Use of veterans and of former military installations and construction equipment in postwar development;
- Adjustments to the rapid reduction of wartime spending and employment;
- Preparation of an inventory of Vietnam's resources;
- Resettlement and employment of refugees and others who have been displaced by the war;
- Location of new industries and establishment of priorities for industrial projects.

AID will encourage the Vietnamese Government and private institutions to develop human and material resources on a long-range basis, particularly those which promote agricultural development, health and education, public administration, industry and electric power.

Agriculture

To stimulate long-term development of agriculture, AID will help Vietnam to produce better seed; improve animal breeding; introduce more mechanization into farming; improve agricultural extension services; plan the future of the forests; create new farmers' cooperatives; increase the amount of credit available to farmers, and collect, store and use better agricultural statistics.

Through a participating agency agreement, the U.S. Department of Agriculture helps AID in many of these fields. USDA is sending 90 agricul-

tural specialists to Vietnam to advise on crop production, irrigation, forestry, agricultural extension, and credit and cooperatives.

Health

AID health programs will broaden the base for future expansion of health services. Specifically, AID will support medical, dental and nursing education programs; will provide clinical and pharmaceutical advisory services; will assist programs to eliminate malaria, and will supplement the Vietnamese Government's battle against communicable diseases.

Education

Planning for future development will include expansion of educational opportunities, teacher training programs, advanced education such as participant training in the United States and third countries, and specialized education such as in medicine and agriculture.

Public Administration

AID public administration projects will help the Vietnamese government improve budgeting and accounting, legal administration and statistical services. Assistance will also be provided to the newly created Ministry of Veterans Affairs. AID will continue to support public administration training at the reorganized and expanded National Institute of Administration in Saigon, which annually graduates about 240 students.

Industrial Expansion

While naturally limited by the war, industrial expansion represents a major goal of the AID program. AID is helping Vietnam set up a Bureau of Standards and plan for mineral development and for the establishment of industry in Cam Ranh Bay. Feasibility studies for development of the fertilizer industry are currently underway. Private investors have expressed interest in developing the food industry. The installation of bulk handling facilities for cement and grains at the Port of Saigon is under study, and a program to construct low-cost housing is planned.

AID has helped determine future requirements for electric power, both industrial and consumer, and the country's generating capacity and distribution system will be expanded in the coming fiscal year. Three rural electric cooperatives should be finished this year, creating pilot projects that can lead to establishment of other cooperatives.

DEFENSE DEPARTMENT ASSISTANCE

During fiscal 1968 the U.S. military services are expected to provide assistance in civil fields closely related to U.S. military operations and needs. The presence of large numbers of American and other forces in Vietnam

results in special pressures on the Vietnamese economy. Maintenance and repair costs for the national highways and railroads have increased sharply. Civilian ports and airfields need to be enlarged to handle military material and manpower. Electric power facilities must be substantially increased to meet military demands. Military equipment and ammunition is needed for the expanded Vietnamese police field forces.

Furthermore, because of military operations, an increasing number of paramilitary and civilian casualties are being treated in civilian hospitals and clinics throughout Vietnam. The U.S. Defense Supply Agency, in addition to AID, provides medical supplies for the hospitals and clinics.

As the war expanded, AID undertook these military-related activities in an attempt to meet emergencies as they arose. However, beginning with the present fiscal year, the U.S. military services assumed appropriate responsibility for their support.

OTHER FREE WORLD ASSISTANCE

The United Nations is contributing to social and economic development in Vietnam. Under the UN Development Program, 37 technical assistance programs were put into effect during 1966 and additional programs are planned for 1967 and 1968. UN programs include assistance to maternal and health care, soil surveys, labor administration, education planning, telecommunications and postal services.

Participating agencies include the International Labor Organization, the Food and Agricultural Organization, the World Health Organization, the UN Educational, Scientific and Cultural Organization, the International Civil Aviation Organization, the International Telecommunications Union, the International Atomic Energy Agency, the Universal Postal Union and the UN's Department of Economic and Social Affairs.

Besides the UN, 31 countries are helping Vietnam under the Free World Assistance Program. Apart from military aid, the countries contributed between $25 and $30 million in assistance last year and will increase their contributions in the coming year.

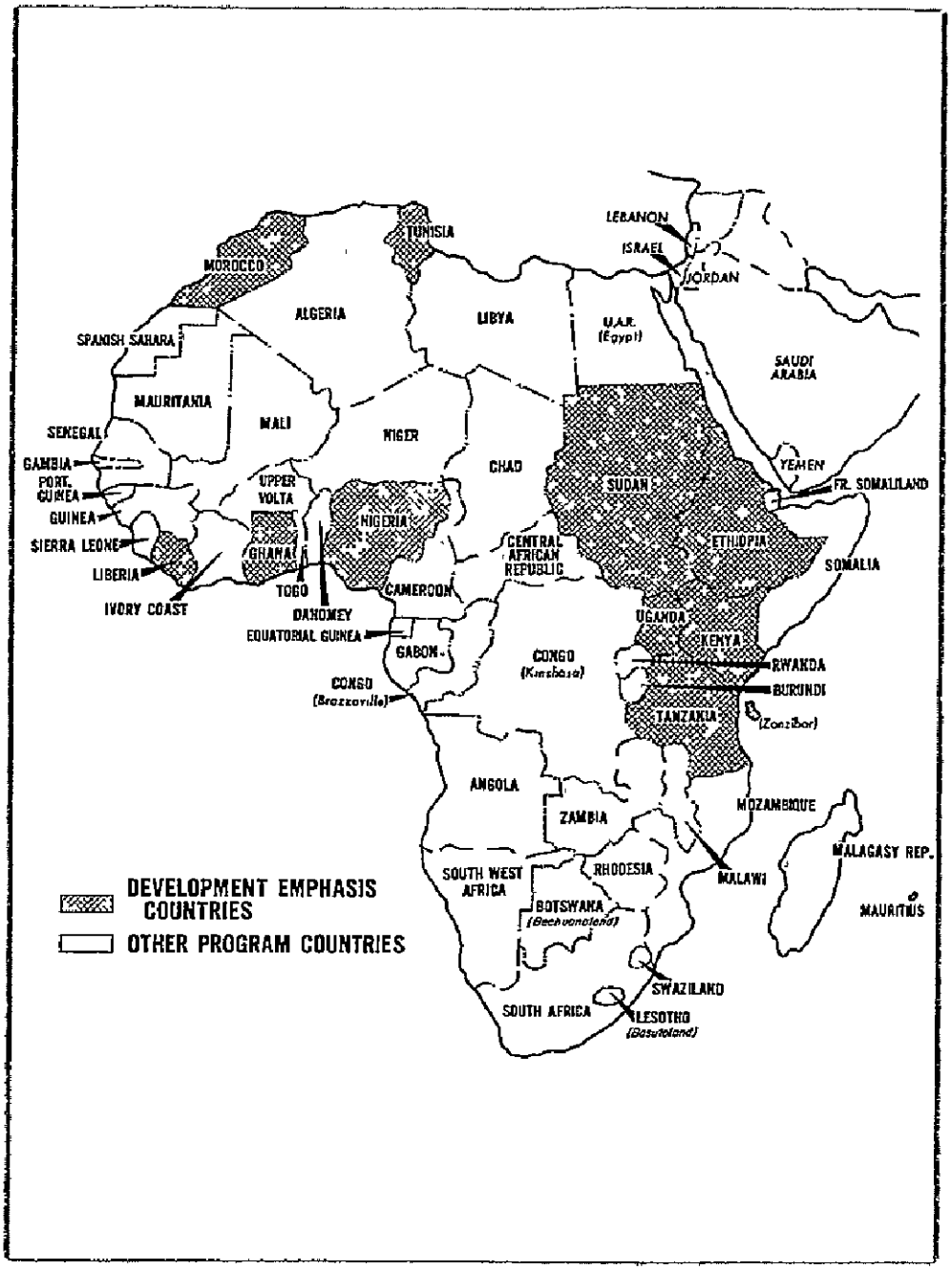
Countries that have sent help ranging from combat divisions to medical supplies are:

East Asia	Republic of China on Taiwan, Japan, Korea, Laos, Malaysia, the Philippines and Thailand;
Middle East	Greece, Iran and Turkey;
Europe	Belgium, Denmark, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom;
North and South America	Argentina, Brazil, Canada, Costa Rica, Ecuador, Guatemala, Honduras, Uruguay and Venezuela;
Africa	Liberia and Tunisia;
Oceania	Australia, New Zealand.

In addition, Austria and the Dominican Republic have offered assistance to Vietnam in the near future, and six other nations whose help does not fall under the Free World Assistance Program have provided valuable assistance to the country in economic and humanitarian fields. These nations are France, Ireland, Israel, Norway, Pakistan and Switzerland.

AFRICA

FY 1968 PROGRAM .... $195 million



XI. AFRICA

Africa, with a population half that of India, has some 38 independent nations. Almost all are in great need of external assistance. Their institutions are not fully developed; they lack skilled men and capital; poverty and disease are widespread; varied tribal and ethnic groupings within countries often lead to rivalries and dissension.

Africa receives most of its external assistance from the developed nations of Western Europe and from multilateral agencies. AID's Africa program totals less than $200 million a year, or approximately 12 percent of annual free world assistance to the continent. Other U.S. programs, such as Food for Freedom and Peace Corps assistance, bring the American share to about 25 percent.

REVIEW OF AID PROGRAM

In May 1966, President Johnson asked the American Ambassador to Ethiopia, Edward M. Korry, to review AID's Africa program to determine how it could contribute more effectively to development. Ambassador Korry and his staff studied the methods, accomplishments and problems of the AID program, obtained the views of U.S. organizations and individuals experienced and interested in Africa, and discussed African development with officials of the World Bank and other international agencies.

The "Korry Report" to the President, submitted in August, concluded that:

- African development will be long and difficult, requiring the fullest possible coordination of efforts by the United States and other donor nations, international agencies, the African countries and their regional organizations;
- An international agency, and the World Bank in particular, can best achieve coordination of external aid;
- The United States should concentrate its bilateral aid programs in those African countries whose size, population, resources and performance afford the best opportunity for development and which need additional external aid;

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• Wherever possible, American assistance to these countries should be provided in a multilateral framework;

• The United States should continue development assistance to other African countries, but should do so primarily by helping regional and multinational projects and programs and by using methods and channels involving more than one donor;

• U.S. assistance should emphasize progress in agriculture, rural development, education, health and population programs; strengthening of the private sector, and development of transportation, power, communications and other facilities that provide a base for economic growth;

• The amount of U.S. aid to Africa should be increased gradually as African institutions develop, and as progress of the African countries enables them to use American assistance more effectively.

NEW AID POLICY FOR AFRICA

AID has adopted a new policy for Africa based largely on Ambassador Korry's recommendations. The main features of this policy, which is now being put into effect, are as follows:

• AID will reduce its regular assistance programs from the more than 30 countries now assisted to the 10 countries where development prospects are best or where there is a special U.S. interest or relationship. These development emphasis countries are Nigeria, Tunisia, Ethiopia, Ghana, Liberia, Morocco, Sudan, and, as a region, Kenya, Tanzania and Uganda.

• To the extent that it is possible, AID will assist the 10 development emphasis countries in cooperation with other aid donors and under the leadership of an international organization.

• In addition to bilateral programs in the development emphasis countries, AID will continue Supporting Assistance to the Congo (Kinshasa) to help solve its balance of payments problems and strengthen internal security.

• In all African countries other than the development emphasis countries, AID will complete technical assistance projects now underway but will start no new bilateral technical assistance projects or programs. It will

complete capital projects now in an advanced stage of planning.

- As soon as possible, AID assistance to these countries will be limited to support for regional institutions, regional projects and multidonor projects; the possible transfer of funds to multilateral institutions for their use in providing capital and technical assistance; a small Self-Help Fund for each country; and loans for private industry from a proposed U.S. private investment corporation which would be established with AID financing.

AID will not use these methods and channels solely to assist the countries where it ends bilateral aid. It will also use them to help the development emphasis countries. This is especially true where a regional program or project necessarily must include a development emphasis country.

Non-AID economic assistance, such as Food for Freedom and Peace Corps activities, will continue to be made available to all African countries.

Other Factors Influencing Policy

The new policy reflects also AID's experience in five years of assistance to the newly independent African nations, and a 1966 amendment to the Foreign Assistance Act limiting the number of countries which may receive certain AID assistance.

AID experience has shown that the job of African development is too great and the resources available for it, both African and external, are too limited to permit large and simultaneous effort in all countries. Experience has also revealed a need for better coordination of external aid to the larger countries, and for a regional or multinational approach to the development of smaller countries.

The cited amendment to the Foreign Assistance Act limits to 10 the number of countries in the world that may receive AID Development Loans and to 40 the number that may receive Technical Assistance, unless the President determines it to be in the national interest to assist additional countries. Because of the large number of African countries AID had been assisting on a bilateral basis, these limits particularly affected the AID program for Africa.

Assistance to Development Emphasis Countries

A basic AID objective in each development emphasis country will be the taking by all aid donors of consistent and concerted positions on development priorities, economic policies, and self-help and performance standards. If there is already a consultative or other coordinated group of aid donors for a country, AID will seek to strengthen it. If there is no coordinated group,

AID will work to have one formed under leadership of an international agency.

The World Bank has established consultative groups for Nigeria, Tunisia and Morocco, and will probably reactivate a group for Sudan.

In Ghana, the framework for multilateral assistance will be a less formal donor coordination group led by the International Monetary Fund (IMF) and concerned largely with stabilization problems.

AID will also seek establishment of multilateral groups for Ethiopia and Liberia. The IMF is already assisting Liberia's stabilization program, while the World Bank will assist Ethiopia in formulating its next development plan.

The East African countries of Kenya, Uganda and Tanzania already have established regional cooperation and have good collective prospects for development. AID will join other aid donors in support of East Africa regional projects and of country projects which contribute to regional objectives.

Assistance to Other Countries

In the case of the other African countries that AID proposes to assist in fiscal year 1968, assistance will begin shifting from primarily bilateral to primarily regional, multinational and multidonor methods and channels.

These countries are Algeria, Botswana, Burundi, Cameroon, Central African Republic, Chad, Congo (Kinshasa), Dahomey, Gabon, Gambia, Guinea, Ivory Coast, Lesotho, Malagasy Republic, Malawi, Mali, Mauritania, Mauritius, Niger, Rwanda, Senegal, Sierra Leone, Somali Republic, Togo, Upper Volta and Zambia. AID will also continue Supporting Assistance to the Congo (K) as needed.

The shift from bilatera aid cannot be accomplished immediately, since the development of regional institutions and methods for regional and multinational cooperation require time. Moreover, some projects AID is assisting are so far advanced it would be unwise to end U.S. help abruptly. However, as these projects are completed AID will end bilateral assistance to the countries, except for the Self-Help Fund.

AID estimates that all of its development loan projects and more than one-half of its technical assistance projects in these countries will be completed by the end of fiscal 1968, and that most of the remaining technical assistance projects will be completed by the end of fiscal 1969.

In the future AID will assist development of these other African countries primarily through the following:

Assistance to Regional Institutions

AID plans support for the African Development Bank; the Scientific, Technical and Research Commission of the Organization for African Unity; and projects advancing the work of the United Nations Economic Commission for Africa and of other African regional organizations. The provision

of funds to the African Development Bank will be the subject of a special recommendation to Congress by the President. However, AID will provide advisory and operating personnel to the bank and will finance the preparation of project studies for loan consideration by the bank. AID also plans to provide technical assistance to the Central African Customs and Economic Union, the entente of five former French West African territories, and development commissions for the Lake Chad, Senegal River and Niger River basins.

Assistance to Regional Projects

AID will provide capital or technical assistance to regional projects in such fields as transportation, communications, river valley development, agricultural research and production, education and health.

In fiscal 1968, AID will allocate about 29 percent of its Technical Assistance funds for Africa to regional projects, double its fiscal 1966 commitments to such projects. The largest regional project is a campaign to control measles and eradicate smallpox in 19 West and Central African countries, being carried out in cooperation with the U.S. Public Health Service, the World Health Organization and two African health agences. Typical of other projects that will be continued or begun are help in expanding the capability of African educational institutions to serve the needs of several countries; assistance to a regional training center for heavy equipment mechanics in Togo; and assistance to regional studies of livestock marketing, mechanization of agriculture, transportation and communications.

Support for Multidonor Projects

AID will participate with other donors and international organizations in major capital projects. An important advantage of multidonor participation is that it enables small donors, such as Israel, Taiwan and the Scandinavian countries, to make more meaningful contributions to development. AID is helping to finance the Trans-Cameroon Railroad in cooperation with France and the European Economic Community. It has made one development loan for the project and contemplates another for fiscal 1968. AID may also participate in a World Bank-sponsored Consortium that will finance a road to transport iron ore to a port in Gabon.

Loans from Private Investment Corporation

AID is considering approving a development loan this fiscal year to a private U.S. investment corporation. Now being organized by major U.S. banks, it will supply capital investments and technical aid to private African industries. The AID loan would serve as "seed capital" and would be supplemented by funds from the participating banks.

Transfers to Multilateral Institutions

AID is studying the possibility of providing funds for capital project use to multilateral organizations such as the World Bank group, or funds for

technical assistance use to UN agencies. The funds would be provided by transfer or trust arrangement. Representatives of AID and multilateral agencies are discussing possible arrangements.

Self-Help Fund

AID will assist local, self-help development activities in each African country through continued use of a small, limited purpose Self-Help Fund.

Funds of this type have already proved useful in Africa and other parts of the world. Through them, AID has assisted low-cost village and community development projects, supplemented the work of Peace Corps volunteers, and otherwise contributed to local self-help efforts.

In the countries where it ends technical assistance, AID will gradually raise the Self-Help Fund to a maximum available level of $200,000 a year. The fund in each of the 10 development emphasis countries normally will not total more than $50,000 a year.

The Self-Help Fund represents the sole bilateral AID assistance planned for Algeria, Botswana, Burundi, Gambia, Lesotho, Mauritania and Mauritius in fiscal 1968.

AID ORGANIZATIONAL CHANGES

Under its new policy for Africa, AID will continue its Missions in the development emphasis countries and the Congo (Kinshasa), but will withdraw its personnel from all other countries as they complete their bilateral aid activities. These employees will then be assigned to development of regional projects.

The change will not affect many, however, since AID Missions in the development emphasis countries and the Congo already account for more than 600 of the over 700 direct-hire AID employees in Africa. AID has Missions in only two other African countries, the Somali Republic and Guinea. In six others—Algeria, Cameroon, Malawi, Mali, Sierra Leone and Zambia—smaller AID staffs function as a part of the U.S. Embassy. The remaining African programs already are administered directly from Washington, with AID personnel in each country limited to a liaison officer and employees of AID and contractors engaged in current capital or technical assistance projects.

AID's Africa Bureau in Washington also has been reorganized to reflect the increased emphasis on regional activities.

Technical Assistance Personnel

In the future, AID will make greater use of technical personnel supplied by U.S. professional associations, and will use technicians largely in operating positions with host governments or African institutions rather than in an advisory capacity. To insure recipient country need for an ef-

fective use of technicians, AID will expand arrangements under which they pay American advisors an amount equal to local salaries and AID provides the difference between these payments and U.S. salaries.

These changes can be accomplished largely under the terms of project contracts, since most AID-sponsored technicians are employees of private institutions working under AID contracts. AID will propose legislative changes to enable U.S. Government employees (some 40 percent of the 1,900 AID-financed technicians in Africa) to operate under such an arrangement.

RECENT AFRICAN PROGRESS

These were among highlights of recent African development:

- Many countries made substantial economic and social progress, and even in Nigeria, where army revolts and tribal conflict threatened unity, and in Ghana, where the Nkrumah regime was overthrown in February 1966, development went forward. Nigeria's gross national product increased almost five and one-half percent and the country is now financing nearly three-quarters of its own development. The new Government of Ghana has adopted a wide range of progressive and prudent fiscal policies to stimulate economic development.
- The Rhodesian impasse and other events continued to slow orderly political development in southern Africa.
- Although internal difficulties in some countries offered opportunity for Communist exploitation, the Communists made no clear gains and by contrast suffered some setbacks.
- Most African governments gave increased attention to economic problems and development, and countries troubled by stabilization and monetary problems showed greater willingness to adopt stabilizing measures drawn up with IMF advice and support.
- African governments gave new and stronger emphasis to food production.

FISCAL YEAR 1968 PROGRAM

AID estimates Africa program requirements for fiscal year 1968 at $195 million.

Ninety-three percent of AID's proposed fiscal 1968 commitments are for Development Loans and Technical Assistance, indicating the stress that it places on development aid to Africa.

Technical Assistance to manpower training and institutional development, two of Africa's greatest needs, accounts for more than one-half of the proposed fiscal 1968 commitments for development aid.

The AID program will continue to focus on education and training, food production, population problems, health, strengthening of the private sector, and expansion of transportation, communications and other facilities which provide a base for economic growth.

Africa Program Summary

(Millions of Dollars)

	Fiscal year 1966 actual	Fiscal year 1967 estimated	Fiscal year 1968 proposed
Development Loans	$70.4	$90.0	$90.0
Technical Assistance	81.2	85.2	91.0
Supporting Assistance	23.5	19.3	14.0
Contingency Fund	1.7	4.0	.....
Total	$176.8	$198.5	$195.0

Education and Training

Better education and training are essential if Africa is to make social and political progress and have the trained manpower needed for economic development. AID already has given substantial help both with general and specialized education. With AID help, more than 800,000 textbooks are being distributed in Africa in fiscal 1967, bringing the total number distributed since the start of the AID program to 3.3 million. About 833,000 African students are enrolled in schools that AID has assisted, while more than 20,000 teachers have been trained with AID help.

In Nigeria, AID-financed specialists from American universities are helping adapt U.S. educational techniques to Nigerian needs in science, agriculture, education, veterinary technology and the arts and sciences. They include teams from the University of Pittsburgh, Kansas State University, Western Michigan University, Michigan State University, the University of California at Los Angeles, Colorado State University, New York University, Harvard University, the University of Wisconsin and Ohio University.

Similarly, AID has provided capital assistance, or technical advice through U.S. university faculty members, to the University of East Africa; Changombe Teacher Training College, University College and the Agricultural College in Tanzania; Haile Selassie I University in Ethiopia; Kassala Institute of Education in Sudan; Chott Maria Agricultural School in Tunisia; and Booker T. Washington Institute in Liberia.

The Liberians have now assumed complete responsibility for Booker T. Washington Institute after 12 years of AID assistance. It is the largest government-operated secondary school in the country, training electricians, secretaries, radio repairmen, machinists, farmers and other skilled workers.

AID will continue to emphasize technical and vocational training, including training for agriculture, improvements in higher education and teacher training. University education should be shifted toward training in African institutions rather than abroad and to this end, AID will assist African universities specializing in key fields to serve region-wide training needs. It will provide scholarships to these schools for students from other African countries. The result will be a gradual reduction in the number of AID-sponsored African students coming to the United States for undergraduate degree training. AID also plans development loans in fiscal 1968 to improve and enlarge facilities at several African universities.

Food Production

Although the great majority of Africans are engaged in food production, output lags behind growth of populations. Moreover, critical shortages occur whenever unfavorable weather or crop failures cut production. The problem is further complicated by inadequate marketing and distribution systems.

AID assistance is directed to the whole range of factors stimulating farm output—improved government agricultural planning and policies; education for agriculture; agricultural research; establishment or expansion of extension services; increased use of fertilizers, pesticides and improved seeds; greater access to farm credit, and irrigation and reclamation.

With AID encouragement, the Ethiopian Government in 1966 reorganized the principal agencies responsible for agricultural and industrial planning and established a new Ministry of Land Reform. In Ghana, AID is helping develop agricultural extension and educational services, marketing and credit programs, and cooperatives. In the East Africa region, AID has provided technical and capital assistance to the East Africa Agricultural and Forestry Research Organization, enabling it to maintain and expand its services.

With AID assistance, Morocco has begun a massive self-help effort to increase cereal yields by 30 percent a year. The government has sold over 60,000 tons of fertilizer to farmers on liberal credit, and is also selling seeds and providing free service by heavy farm machinery to wheat growers. Another AID-assisted program was responsible for the planting of nearly 100,000 acres of forage to fatten the country's beef herds. It is estimated that the forage crops planted in 1966 will add some 12,400 metric tons of meat to Morocco's protein-short diet. AID-sponsored poultry production centers also are expected to have a major impact on the nation's ability to feed itself. From an original stock of 6,500 chicks imported from the

United States, about 188,000 chicks will be available this year for distribution as breeding stock to upgrade native chickens.

AID also has helped Tunisia make important gains in agriculture. For example, an AID contract with an American firm brought modern well-drilling techniques to the country, resulting in wells that produce twice as much water as other wells and cost only half as much to drill. The Tunisian Government's plans to drill 350 wells in five years, adding 100,000 acres of irrigated land to the present 200,000, are under study to determine the optimum amount of acreage that can be effectively developed.

Through the AID program, about 1.3 million acres of African land have been irrigated or reclaimed, and AID-assisted agricultural credit institutions will provide loans to about 45,000 farmers in fiscal year 1967.

AID's Africa program in fiscal 1968 will concentrate on better coordination and exchange of research, adaptation of research to local problems, increased commercialization of agriculture as an alternative to subsistence farming, and more effective government administration and price policies.

Studies emphasizing increased food production are underway or are planned in Ghana, Ethiopia, Nigeria and Tanzania. To increase regional output, AID will study ways to improve the wheat varieties in North and East Africa, grain marketing and storage methods in East Africa, and livestock production, processing, marketing and distribution.

AID will also consider authorizing program loans to Ghana and Tunisia which may be used in part to import agricultural machinery and other essential items.

Population Problems

Africa's population problems are of major importance, not only from the standpoint of food supply but also because unrestrained growth of populations slows economic progress generally.

In fiscal 1968, AID may assist family planning in Morocco and Tunisia, and will consider support for an African-wide population center that would conduct research, provide information and possibly train population workers.

Health

AID assistance to African health emphasizes regional control or eradication programs for major diseases, chiefly smallpox and measles. AID is participating in a campaign to bring measles under control and eliminate smallpox in 19 West African countries. Measles not only kills one afflicted child in five in West Africa but leaves many survivors permanently blind or deaf. Smallpox kills one in four of those striken.

AID estimates that vaccine it has supplied provided a total of nearly six million inoculations against measles in Africa between fiscal years 1962 and 1967. It expects 8.5 million more inoculations to be given in fiscal 1968. In the African smallpox program, AID-supplied vaccine provided the protec-

tion of more than 16 million vaccinations in fiscal 1966 and 1967. A good start has been made toward the objective of immunizing 32 million West African children against measles and over 80 million children and adults against smallpox.

AID assists the fight against measles and smallpox by financing a 45-member team from the U.S. Public Health Service centered in Lagos, Nigeria. The campaign against smallpox is part of a global effort by the World Health Organization.

In fiscal 1968, AID will continue support for the campaigns against measles and smallpox and will continue studying ways to control onchocersiasis, a disease which causes blindness. Development loans are under consideration to provide additional safe water supply systems.

Strengthening the Private Sector

Another key AID objective in Africa is strengthening of the private sector, which has good potential for development.

In fiscal 1966, AID lent $8 million to the Ethiopian Investment Corporation (EIC) to finance equity and loan investments in industrial and agricultural enterprises, including an oil seed mill, a meat cannery and a factory for manufacturing glass containers. The EIC will foster the growth of industry by identifying and developing sound business opportunities, and by attracting private capital, both domestic and foreign, to these and other new areas of investment. When necessary, the EIC will invest in enterprises being established or expanded.

In Nigeria, AID provides technical assistance to help the government attract foreign investors and encourage private enterprise. With guidance from AID-financed economic advisers, the government has adopted policy changes to encourage foreign investment. AID also shares the costs of feasibility surveys with prospective investors.

In Ghana, U.S. consulting firms and the International Executive Service Corps, working under AID contract, are helping to transform the government-operated National Investment Bank into a privately operated development institution.

AID is helping Morocco develop its phosphate and tourist industries. An AID-financed dragline went into operation at the open-pit phosphate mines at Kouribga in 1966. The machine will increase the production of phosphate rock by some 3 million tons a year and earn Morocco $30 million a year in foreign exchange with which to finance other development projects. U.S. technicians financed by AID also are helping Morocco to modernize its tourist industry. Tourists spent $66 million in the country in 1965, compared with $25 million in 1961. AID is also assisting Morocco to form an investment promotion center to spur private investments in the country's industries.

In fiscal 1968, AID will continue to stimulate private sector development through loans from the proposed U.S. private investment corporation being considered by major banks to finance investment opportunities in Africa; by

arranging with U.S. financial institutions to station staff members in Africa to identify investment opportunities for their clients, and by studying ways to establish large-unit private agricultural production in about 10 countries.

AID will consider development loans to Ghana and Tunisia to finance imports of raw materials, fuels and lubricants needed by the industrial sector, and will consider contracting for studies of new industrial opportunities in Ghana in line with the country's decision to encourage private enterprise.

Developing the Economic Base

The AID program for Africa also includes capital and technical assistance to projects which provide a base for economic growth—roads, railways and other transportation facilities, and communications systems and power projects.

For example, AID authorized a development loan of $21.7 million to Ethiopia in fiscal 1966 to finance the engineering and construction of a hydroelectric dam in the Blue Nile River Basin, 103 miles northwest of Addis Ababa. When completed in 1971, the project will add 100,000 kilowatts to Ethiopia's generating capacity, or enough power to meet the country's industrial and consumer needs through the 1970's.

Similarly, an AID loan is helping to finance construction of a water supply system for Ibadan, Nigeria, one of the largest African cities south of the Sahara. In Sudan, technical assistance from AID and the Bureau of Public Roads helped the country establish a highway department. Sudan is as large as Alaska, Texas and California combined, but as yet has only 5,000 miles of roads.

In fiscal 1968, AID will continue to assist several countries in planning and engineering road systems and water supply and sewerage facilities. It also plans studies of proposed power grid systems that would serve several West African countries. It will consider development loans totaling $25 million for roads and railways, and loans totaling $10 million for power development and airport improvement. It also may finance engineering and construction costs of farm-to-market and urban roads in Kenya, Liberia, Nigeria and Malawi, and the cost of engineering services, training programs and equipment for communications satellite ground stations in East Africa, Ethiopia and Nigeria.

Other Programs in Year

Other planned AID activities include an aerial inventory of Liberia's mineral potential, to be financed by a development loan, and continued assistance to police improvement programs in the Congo (Kinshasa), Rwanda and the Somali Republic. AID finances training programs and communications equipment for these programs, which strengthen police capability to maintain internal security and prevent subversion.

EAST AFRICA

The region of East Africa, comprising Kenya, Tanzania and Uganda, has great development potential because of its large size, its population of 28 million, its regional transportation network, its rich farmlands and cattle-raising areas, and its varied export crops. A vigorous, growing East Africa would demonstrate clearly to other African countries the advantages of joint effort. It could also prove a major participant in wider regional grouping such as the Economic Community of East Africa, which is expected to include at least seven countries and probably more.

AID assists Kenya, Tanzania and Uganda to an increasing extent as a regional economic unit, helping to overcome the most serious obstacles to regional development, chiefly inadequate education, agriculture and transportation. AID strongly supports the proposed establishment of a World Bank Consultative Group for East Africa to coordinate U.S. and other assistance to the region.

Ever since attempts to achieve political federation failed in 1964, East Africa's regional arrangements and institutions—the most highly developed in Africa at the end of the colonial period—have been endangered by nationalistic strains. Trade restrictions, independent fiscal and monetary policies, and industrial competition among the three countries threaten to impede regional cooperation. On the other hand, there have been promising developments, including appointment by the three nations of an East African Cooperation Commission, which has drafted a treaty to continue services performed by the East Africa Common Services Organization and other regional institutions and to provide new mechanisms for cooperation. The Common Services Organization provides revenue collection, transportation, communications and other services for the three countries. The East African governments, partly as a result of the views of the United States and other aid donors, reversed earlier decisions to establish separate national universities and will continue the University of East Africa at least through 1970. Kenya and Tanzania have pledged to join the Economic Community of Eastern Africa, and Uganda is among countries indicating an intention to join.

Recent self-help efforts within the individual countries include establishment by Kenya of a new five-year development plan emphasizing agriculture, education and industry; a determined and realistic move by Tanzania to increase agricultural production, and a drastic reduction of the cotton subsidy in Uganda, which will spur diversification to other crops.

AID assistance to the countries has included:

- In Uganda, AID has financed projects in agricultural extension and education; helped the national cooperative movement; assisted school construction and teacher training; helped to establish a national agricul-

tural youth program, and is assisting in increasing livestock production.

- In Tanzania, AID has assisted capital projects at Changombe Teacher Training College, University College and the Agricultural College, all of which have higher enrollments than forecast; provided six instructors for the Agricultural College through contract with the University of West Virginia; provided training in the United States for future faculty of the Agricultural College; and plans to help the Ministry of Agriculture formulate plans for increasing commercial agricultural production.

- In Kenya, AID has helped introduce new teaching methods in the primary school system; assisted in establishing farm youth clubs and farmer training centers; aided in construction of low-cost housing in Nairobi; helped establish and support the National Youth Service, a group now making valuable contributions to nation-building; joined with the government in starting on-the-job training for communications personnel, and assisted capital projects in education and city water supply.

- Regionally, AID has provided technical and capital assistance to the University of East Africa and to the East African Common Services Organization and some of its divisions, such as the East Africa Agricultural and Forestry Research Organization and the East Africa Railway and Harbors, enabling them to maintain and expand their services.

AID's proposed fiscal year 1968 program for East Africa includes commitments for regional purposes and for development in each of the three countries. Assistance to agriculture will focus on developing more effective rural credit institutions, improving and expanding agricultural and veterinary colleges, improving crops, livestock husbandry and range management, and conducting feasibility surveys in a variety of areas. In education, AID will consider loans to finance expansion of university and teacher training facilities; assistance to curricula development and school design, and help with specific manpower training projects such as on-the-job training of stevedore foremen and police.

Although AID proposes increased commitments in fiscal 1968, U.S. assistance still would be only about 15 percent of the total of external aid. The United Kingdom provides about 45 percent. Others assisting East Africa include the Soviet Union, Communist China, the World Bank, the Scandinavian countries, West Germany, Canada, Austria, Israel, India, the Netherlands, Taiwan, South Korea and Japan.

ETHIOPIA

Ethiopia is the oldest of Africa's independent countries, and its capital, Addis Ababa, is the continental headquarters of the Organization of African Unity and the United Nations Economic Commission for Africa.

Economic and political difficulties, however, have deterred development of the country's own plentiful resources. Ethiopia's large farming population, about 87 percent of the people, live in almost complete isolation from the money economy, marketing only 15 percent of the food they produce. Per capita output averages less than $60 a year, communications are inadequate and educational facilities minimal. Only 5 percent of the country's 24 million inhabitants can read and write.

With AID encouragement, the Ethiopian Government in 1966 reorganized the principal agencies responsible for agricultural and industrial planning. Agrarian development is being encouraged by establishment of a new Ministry of Land Reform, while the National Planning Board was elevated to the status of a Ministry of Planning and Development.

The World Bank has completed a study of Ethiopia's economy and will assist in formulating a development plan for the five-year period ending in 1972.

The country's gross national product has grown by 3½ to 4 percent in recent years compared with an annual population increase of 1.4 percent. Although manufacturing is increasing in importance, agriculture continues to earn the major share of the nation's income. Agriculture exports—mainly coffee, linseed oil and animal hides—doubled between 1958 and 1965.

The development portion of Ethiopia's budget was increased substantially in 1967 following an expansion in the tax base. Landowners will be paying taxes for the first time.

Fiscal Year 1968 Program

AID's major objective in Ethiopia is to increase production in the cash economy. With AID assistance, the country's agricultural, industrial and educational capabilities are being evaluated as a guide to future development.

New possibilities for agricultural development are being identified in an agro-industrial survey directed by a five-man team from Stanford Research Institute. The survey will delineate the specific areas, projects and products which offer Ethiopia the best opportunity for developing a market economy, increasing productivity and providing a better life for its people.

In fiscal 1968, AID will continue to help the Ministry of Agriculture develop plans for a marketing component and other necessary agricultural services. AID will also continue assistance to a livestock management and marketing program in the Borena region and to an aerial spraying operation to help control plant diseases. A recently completed grain storage survey

has established the basis for a nationwide program to improve the production, storage and marketing of grain.

The Ethiopian Investment Corporation (EIC) borrowed $8 million from AID in fiscal 1966 to finance equity and loan investments in industrial and agricultural enterprises, including an oil seed mill, a meat cannery, a factory for manufacturing glass containers, and a plant for bottling mineral water. The EIC will foster the growth of industry by identifying and developing sound business opportunities, and by attracting private capital, both domestic and foreign to these and other new areas of investment. When necessary, the EIC will invest in enterprises being established or expanded.

AID also authorized a development loan of $21.7 million in fiscal 1966 to finance the engineering and construction of a hydroelectric dam in the Finchaa area of the Blue Nile River Basin, 103 miles northwest of Addis Ababa. When completed in 1971, the project will add 100,000 kilowatts to the generating capacity of the Ethiopian Light and Power Authority or enough power to meet the country's consumer and industrial needs through the 1970's.

The method of financing the dam project will itself contribute to Ethiopia's development. The electric company is to repay the loan to the Ethiopian Government in local currency over a 25-year period—following a six-year grace period—while the government will have 40 years including a 10-year period, in which to repay the United States in dollars. The local currency generated by this two-step procedure will be used by the Ethiopian Government to finance other development activities.

American Companies

A number of American companies have come into the Ethiopian development program with AID's help. For example, the Kalamazoo Spice Extracting Company, put in touch with the Ethiopian Agricultural Station by AID in 1964, provided paprika seeds to the Ethiopians to see how they would grow. The seeds grew so well that the Michigan spice company has agreed to subsidize the station's research in paprika and establish a factory in Ethiopia to extract the paprika's red coloring for worldwide export. The operation will be guaranteed by AID against the normal risks of investing in a developing country such as expropriation or inconvertibility of foreign currency.

AID will continue to help the United Nations Children's Fund and Catholic Relief Services with distribution of food to the needy people of Ethiopia. In fiscal 1966 AID contributed bulgur, wheat flour, powdered milk, vegetable oil and beans valued at $344,000. AID also provided Food for Freedom to 3,000 Ethiopians working on road and dam building projects.

In education, AID has been helping Haile Selassie I University strengthen the colleges of agriculture, education, business, public health and law. U.S. advisors serving under AID contracts include teams from the Uni-

versity of Utah and Oklahoma State University. AID also contributes to the salaries of U.S. teachers hired by the Ethiopian university to improve education in those fields.

AID plans a development loan in fiscal 1968 for construction of additional buildings at the university.

Development loans are also proposed to finance navigational improvements at the Addis Ababa and Asmara airports and to continue a campaign to eradicate malaria. AID cooperates with the World Health Organization in the anti-malaria campaign, which is opening extensive areas to settlement and cultivation. Spraying operations are underway in an area containing about one-sixth of the national population.

Although the United States is the largest single donor of economic assistance to Ethiopia, other nations and international organizations also contribute substantially to the country's development. Over the last four years, France, the World Bank family, Sweden, Germany, the Soviet Union and the United Nations have provided nearly $85 million of economic assistance.

GHANA

Ghana's new leaders are making their country a moderate and positive voice in African affairs. AID seeks to help Ghana revitalize its economy, which was disrupted by the Nkrumah regime, so that it may fulfill its potential for growth and for leadership.

Ghana has a serious balance of payments deficit resulting from continuing repayments on a $730 million external debt and a need to import essential commodities. The country also faces problems of unemployment, inflation, shortages of food and raw materials, and serious dislocations in the private industrial and agricultural sectors. Fluctuation in the world price of Ghana's principal export—cocoa—also has been a serious problem.

Since the overthrow of the Nkrumah regime in February 1966, Ghana has been governed by a National Liberation Council (NLC) composed of military and police officers. The NLC considers itself an interim government, and has appointed a constitutional and electoral committee as part of its plan to return control to a civilian government within two or three years.

In the meantime, the NLC has adopted a wide range of progressive and prudent fiscal policies to stimulate economic development. It is avoiding additional supplier credits, has cut its budget sharply, and is discontinuing uneconomic projects. It is also encouraging private investment from both domestic and foreign sources. In agriculture, the government has begun to shift emphasis from state farms to private farms and is given greater attention to the use of fertilizers and insecticides, seed multiplication, construction of farm-to-market roads, agricultural training and provision of farm credit.

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In December 1966, Ghana persuaded creditor countries, mainly European, to defer about $150 million in debt payments due between June 1966 and December 1968. The international Monetary Fund (IMF) authorized $53.7 million of "drawings" by Ghana during 1966, including a stand-by of $36.4 million and compensatory financing of $17.3 million. An additional IMF drawing may be available in 1967.

From fiscal 1964 through fiscal 1966, Ghana received about $29 million in assistance from Canada, the United Kingdom, West Germany and the United Nations.

Fiscal Year 1968 Program

Central to AID's proposed program for Ghana is establishment of a coordinated multilateral framework for external aid. The Ghanaian Government is encouraging the formation of such a multilateral assistance group under the leadership of the IMF. AID will support that movement, and will also encourage Ghana and neighboring countries to adopt cooperative approaches to common development problems. AID project loans will be assigned whenever possible to regional development programs.

The AID program in fiscal 1968 will concentrate on helping Ghana to restore and strengthen its productive capacity, primarily by financing imports essential to development programs. An expanded technical assistance program will help the government carry out key reforms in agriculture, industry, and other sectors, and will facilitate the planning of sound capital projects.

In addition to providing spare parts and raw materials for manufacturing and agricultural enterprises, as well as essential consumer goods, AID program loans in fiscal 1967 and fiscal 1968 will help Ghana reduce its large balance of payments deficit.

In 1967 and 1968 this deficit is expected to reach a combined total of about $390 million. About 40 percent of the total will be met by debt rescheduling in which the United States has played an important though lesser role than the principal European creditor nations.

AID technical assistance in fiscal 1968 will concentrate on the development of agriculture. AID is helping Ghana develop agricultural extension and educational services, marketing and credit programs, cooperatives and water-supply systems. Agricultural education has progressed significantly with AID's help. In 1966 AID-assisted vocational institutes admitted more than 700 students to courses in practical agricultural training. Agriculture graduates of the University of Ghana are also being trained abroad under AID auspices.

In the industrial sector, the National Investment Bank is receiving help from U.S. consulting firms, working under AID contracts, and from the International Executive Service Corps. AID is helping transform the bank, now government-controlled, into a privately operated development institution. AID will also contract for studies of new industrial opportunities in line with Ghana's decision to encourage private enterprise.

To help Ghana provide a basis for future investments in both industry and agriculture, AID will support feasibility studies for transportation, communications and power projects recommended by the IMF and the World Bank.

LIBERIA

Liberia has a heavy burden of debt which presents a serious obstacle to its economic development. Further, the country's difficulties have been aggravated by lower world prices for its two principal exports, rubber and iron ore.

Despite these problems, Liberia has made encouraging progress in several respects. With guidance from the International Monetary Fund (IMF), the country has balanced its operating budget for the past several years. With AID technical assistance it achieved a 40 percent increase in domestic revenues from 1961 to 1966. And with the help of a Harvard University advisory team financed by the United Nations, the government has begun its first effective attempt at development planning. Another encouraging move was government enactment of an investment code to stimulate additional foreign private investment, which has accounted for much of Liberia's growth in recent years.

A country the size of Ohio with a population of a little over one million, Liberia is developing its iron ore and rubber production rapidly, but has just begun to farm its great timber resources. The government also is moving vigorously to improve education, so that the country will have the trained manpower needed for development.

Examples of recent country progress include:

- Liberia has assumed full responsibility for the Booker Washington Institute, after 12 years of U.S. technical and capital assistance. The institute is the largest government-operated secondary school in the country, training auto mechanics, electricians, bookkeepers, secretaries, typists, clerks, radio repairmen, plumbers, draftsmen, machinists, carpenters, and other skilled workers.
- With AID help, the government modernized and improved its customs and vehicle licensing procedures, ending severe revenue losses.
- An AID contractor, the U.S. engineering firm of Sanderson and Porter, helped improve the Monrovia water, sewer and electric power systems. Primary attention was given to distribution from the Mount Coffee hydroelectric dam, completed last fiscal year with an AID loan. Water service was made vastly more reliable, and more water was delivered in one month of last year than in three months of 1965.

AID's proposed fiscal year 1968 program will continue to emphasize assistance to key government development agencies, and help in increasing public revenues and improving budgeting, administration and management. Development loans will be considered for expansion of the University of Liberia, airport improvements, expansion of the hydroelectric system, and construction of roads and facilities needed to exploit timber resources. AID-financed assistance to planning and administration of the nation's educational programs will be continued. Particular attention will be given to improvement of the Monrovia school system, development of rural schools, and training of nurses and paramedical personnel.

Liberia receives substantial technical and capital assistance from international organizations and other free world aid donors. For example, the United Nations provides technical assistance to the University of Liberia's College of Agriculture and Forestry. The World Bank has lent $4.5 million for Liberian road construction, while West Germany has extended loans totaling $18 million, also chiefly for road building.

MOROCCO

During a decade of independence, Morocco has maintained its strong economic ties with the free world. The World Bank recently organized a Consultative Group of aid donors for Morocco, and by coordinating free world assistance the group should provide greater stimulation for the country's economic and social development.

Because of chronic food deficits in recent years, Morocco has had to import large quantities of wheat and other basic cereals. This in turn has limited the foreign exchange available to the country for development purposes.

However, Morocco has now begun a large-scale program to increase food production. It also is acting to balance food supply and needs by checking the growth of population. A national family planning program was organized last year with the help of the Ford Foundation.

In the fall of 1966, King Hassan launched a massive self-help effort through which the government hopes to increase cereal yields by 30 percent this year. Under this promising program, the government is instructing farmers in the use of fertilizer and has sold them over 60,000 tons on liberal credit. It is also selling seeds and providing free services by heavy farm machinery to wheat growers.

Called "Operation Fertilizer," the program is the outgrowth of AID efforts to introduce farming methods used successfully in the United States.

Another AID-assisted program was responsible for the planting of nearly 100,000 acres of forage to fatten the nation's beef and dairy herds. The livestock industry is the largest single source of agricultural income in Morocco. But half the meat is lost to the national diet because many

farmers cannot feed their cattle adequately. It is estimated that the forage crops planted in 1966—mainly sudan grass, berseem clover and corn—will add some 12,400 metric tons of meat to Morocco's protein-short diet. In dollar terms, the value of the additional meat will exceed $17 million.

AID-sponsored poultry production centers are also expected to have a major impact on the nation's capacity to feed itself. From an original stock of 6,500 chicks imported from the United States, about 188,000 chicks will be available in 1967 for distribution as breeding stock to upgrade native chickens.

Besides improving the Moroccan diet and reducing the need for food imports, the food programs are opening up job opportunities for the unemployed. Underemployment is a serious problem in Morocco, affecting up to 50 percent of the farm workers and 20 percent of the urban population. Under Public Law 480, the United States since 1961 has provided about 600,000 metric tons of wheat for use as wages-in-kind in the government's work relief project. Unemployed laborers drawing wheat rations in fiscal 1966 constructed 1,260 classrooms, 20 potable water supply systems and 2,628 units of low-cost housing. Other laborers built or improved 5,000 miles of rural roads and cleared, reclaimed or reforested 100,000 acres of land.

In addition, American volunteer agencies participating in the Food for Freedom program during fiscal year 1966 distributed 47,000 tons of flour, 3,000 tons of vegetable oils, 6,000 tons of cornmeal and 1,000 tons of dried milk to more than one million needy Moroccans.

Fiscal Year 1968 Program

AID assistance to Moroccan development in fiscal 1968 will complete the transition from the earlier Supporting Assistance loans in connection with U.S. base rights in the country. Under the development program, AID loans and technical assistance are concentrated on activities that strengthen Morocco's balance of payments position while increasing the nation's agricultural and industrial production.

In both 1965 and 1966, loans and grants to Morocco from non-U.S. sources exceeded $100 million.

Agricultural Development

AID agricultural assistance in fiscal 1968 will carry out Stanford Research Institute's finding that "the most efficient way to increase output per unit of additional financial and technical input is to improve food grain and livestock production in dryland agriculture."

AID may also approve a loan for further expansion of irrigation. The United States loaned the Moroccan Government $23 million in 1960 to construct an irrigation dam on the Lower Moulouya River in northeast Morocco. Another loan has been requested to extend distribution canals and other works that will eventually irrigate 176,000 acres of farm land.

Sales of Food for Freedom to the Moroccan Government will continue to provide local currency to finance the distribution of fertilizer, seeds and farm machinery to the nation's wheat growers.

Since the success of the food grain and livestock programs depend on the ability of extension workers to convince farmers to use fertilizer and to plant forage crops, AID concentrates technical assistance on training programs to strengthen agricultural extension services. AID-financed teams of U.S. farm experts will help with both campaigns in fiscal 1968.

"Operation Fertilizer" will bring field agents from farming areas to training sessions in the agricultural centers. After returning home, each agent will train another 5 to 10 agents in fertilizer demonstration methods. A series of workshops is also planned for operators of the poultry production centers at Oujda, Meknes and El-Jadida.

Industrial Development

Development of Morocco's considerable industrial potential—particularly the tourist industry—is another major emphasis of the AID program.

Since tourism offers the best potential for a rapid increase in the country's foreign exchange reserves—tourists spent $66 million in Morocco in 1965 compared with $25 million in 1961—AID is helping to expand tourist facilities. AID made a loan of $4.7 million to convert the former U.S. Air Force base at Nouasseur to civilian use, and another loan of $1.3 million to construct new operational facilities for the airport.

AID has also encouraged negotiations with several American firms interested in building hotels in Morocco. Holiday Inns and Ramada International are now constructing hotels, the latter under an AID investment guaranty. In addition, AID has made loans in dollars and local currency to Robert Low Associates for construction of a beach hotel complex. In fiscal 1968 AID will consider financing technical assistance to improve the accounting system and management practices of a chain of hotels in the country's mountains.

With AID assistance, Morocco is organizing a center to spur private investments in tourism and other fields of industrial development. Besides arranging loans for private investors, the government recently reduced taxes on industrial profits and declared a 10-year moratorium on tax increases.

Morocco is the world's second largest producer and leading exporter of phosphates. An AID-financed dragline went into service at the open-pit phosphate mines of the Office Cherifien du Phosphate at Kouribga in 1966. The $4.4 million machine will increase the annual production of phosphate rock by some three million tons and will earn $30 million a year in foreign exchange. These funds can be used to finance other development projects in Morocco.

In fiscal 1968, AID may authorize a development loan to a U.S. firm, Occidental Petroleum Company, for the construction of a new chemical and fertilizer complex that would increase the local production of fertilizer.

With AID assistance, Occidental Petroleum has been making an investment survey to determine the feasibility of building a superphosphoric acid plant.

AID was also responsible for opening a lapidary center at Fez. Under the direction of an American lapidary expert, machinery was assembled for cutting and polishing various native stones. Although quality stones are plentiful in Morocco, no such industry existed up to that time. Some of the trainees at the lapidary center are organizing a producer's cooperative which will cater to the growing tourist market.

NIGERIA

Army revolts and tribal conflict in 1966 threatened to fragment Nigeria into separate regions and endangered its national strength and influence in African affairs. The Nigerian economy nevertheless continued to expand and only in 1967 have economic effects of Nigeria's instability become apparent.

During the last three years Nigeria's gross national product increased 5½ percent annually, and the country is now financing nearly three-quarters of its own development.

Nigeria's economic gains in 1966 included a slightly higher level of private investment and larger export earnings—earnings from oil exports alone increased to $225 million from $191 million in 1965. On the other hand, there was an increase in the government deficit, a balance of payments deficit and a rise in prices.

Nigeria's political situation remains uncertain, with many fundamental issues still to be resolved. As a result of this uncertainty, the rate of investment from private foreign sources has declined sharply. Also, a number of administrative problems and some trade deterioration between the eastern and other regions trouble the country. For example, railroads and communications facilities are functioning at reduced efficiency because of a lack of Nigerian technicians.

Fiscal Year 1968 Program

In fiscal year 1968, the United States will continue to encourage and support those forces working for Nigeria's political and economic stability and unity. AID will help to increase agricultural production, improve technical skills and training institutions, and develop communications and other projects that strengthen the economic base of the country. Development assistance will continue within the framework of the World Bank's Consultative Group for Nigeria, consisting of the bank and eight countries which contribute to Nigerian development.

Agricultural Development

Although the Nigerian economy as a whole has grown quite rapidly, agricultural production has not increased significantly. Agriculture employs

three-quarters of the Nigerian labor force and accounts for 60 percent of both gross national product and export earnings.

The Nigerian Government has concentrated on strengthening agricultural institutions and training personnel to plan, direct and carry out programs for increasing export crops. AID helps by providing extensive staff assistance and equipment to educational programs, extension services and livestock management projects.

The institutions receiving AID assistance with agricultural training programs include the University of Nigeria, the University of Ife, Ahmadu Bello University and the Umudike Agricultural Center. At the same time, AID-financed specialists from a number of U.S. universities and government agencies are conducting studies of Nigerian agricultural research, education and credit.

Six AID advisers are helping the Ministry of Agriculture and Natural Resources establish a program of livestock production and marketing in western Nigeria. Besides improving the diet, the livestock program will increase the income of the area's farmers.

Rubber is a growing industry in the midwestern region of Nigeria, but rubber production could be tripled if better methods of cultivation were adopted. A rubber research program being developed with AID technical assistance will help introduce improved methods of planting.

Half of the AID Technical Assistance funds planned for Nigeria in fiscal 1968 will be directed to agriculture. In addition, AID plans a development loan to meet the engineering and construction costs of new agriculture and veterinary medicine facilities at Ahmadu Bello University. A loan authorized in the current fiscal year will permit expansion of facilities at the Umudike Agricultural Center.

Manpower and Education

About one-fourth of the Technical Assistance funds requested for Nigeria will be used to develop manpower skills through training and educational programs. Specialists from American universities are working under AID contract to help Nigeria's universities, colleges and secondary schools adapt U.S. educational techniques to national needs in science, agriculture, education, veterinary technology and the arts. They include teams from the University of Pittsburgh, Kansas State, Western Michigan University, Michigan State, the University of California at Los Angeles, Colorado State, New York University, Harvard, the University of Wisconsin and Ohio University.

With AID assistance, the University of Nigeria has increased its enrollment from 200 to 4,000 since its founding in 1960. AID has financed the construction of 135 Nigerian classrooms serving about 10,700 students at the college and secondary levels. More than 400 Nigerians have completed courses in AID-assisted teacher training schools, while 23,000 teachers have received in-service training, including 2,200 in fiscal 1966. In northern

Nigeria, AID works with Peace Corps volunteers and the Ford Foundation to improve the skills of 6,000 teachers by 1968. AID has sponsored 150 U.S. education advisers to Nigeria and distributed more than 54,000 textbooks. Two secondary schools and a technical college are receiving AID help with technical and professional training programs. AID also has authorized a loan to expand the secondary school at Port Harcourt which prepares students for trades as well as for entrance to universities.

Industry and Private Enterprise

More than 100 new industrial plants have been established in Nigeria since 1960. Industrial projects under construction at the end of 1965 had a declared value of $100 million. Despite this impressive record, Nigeria's industrial growth is expected to decline in the near future because of a host of problems. These include competition from imports, a slowdown in new foreign investment due to political uncertainties, lagging construction of some plants, and production problems resulting from unwise selection of equipment, poor plant location, management deficiencies, undeveloped markets and a shortage of skilled labor.

AID will continue technical assistance to help the government attract foreign investors, encourage private enterprise and appraise industrial development projects. The government has adopted a number of policy changes favorable to foreign investments, receiving assistance in this area from economic advisers working under an AID-financed contract. AID also shares the cost of feasibility surveys with prospective investors.

Transportation and Water Supply

In Nigeria as in any less-developed nation, adequate transport facilities and public health services are essential to the development of new industries and agricultural enterprises. AID loans are financing construction of a highway in eastern Nigeria and a water supply system in Ibadan, one of the largest African cities south of the Sahara. In fiscal 1968 AID will consider authorizing loans to construct additional roads connecting industrial areas with shipping installations at Port Harcourt, and to provide water supply systems for Lagos and Ilorin.

SUDAN

Sudan, the largest in area of the African countries, has vast land resources which can provide a base for economic growth. The Sudan has an estimated 120 million acres of land suitable for agriculture, of which only about 20 million acres are under cultivation.

The country's economic development has been hampered by its heavy dependence on a single crop, cotton; by a shortage of trained technicians, businessmen and professional people; and recently by political instability in the nation and insurgency in its Southern provinces.

A new government assumed power in July 1966 with the young and progessive Sadiq El Mahdi as prime minister. The government is seeking a broad national following and a peaceful solution to the Southern problem, and is pressing for early adoption of a national constitution.

In September the Sudan began a stabilization program aimed at ending its trade deficit and increasing government revenues. The International Monetary Fund has made available up to $28.5 million under a stand-by arrangement, while the World Bank is helping the country to prepare a new five-year development plan.

AID is supporting reactivation of a World Bank Consultative Group to coordinate U.S. and other external aid to the Sudan. Other donor nations which were members of the group were Belgium, France, West Germany, Italy, Japan, the United Kingdom, the Netherlands, Sweden and Switzerland. The group has been inactive for two years, largely because the Sudan broke off diplomatic relations with West Germany and the United Kingdom.

AID assistance to the country emphasizes diversification of agriculture, improvement and expansion of professional and technical education, and establishment of an adequate transportation system.

- With assistance from AID and the U.S. Bureau of Public Roads, Sudan has established a Highway Department in its Ministry of Works. The Director and Deputy Director of Works and key personnel in the new Highway Department have been trained in the United States under AID scholarships. A strengthened highway program is essential to Sudan, which is as large as Alaska, Texas and California combined but has only 5,000 miles of roads.

- The 15-building Kassala Institute of Education, which AID financed with local currency derived from the sale of Food for Freedom, was dedicated in October 1966. The institute will graduate 90 teachers a month to teach in the elementary schools of Kassala Province. About one-fourth of all Sudanese teachers have attended AID-assisted schools.

- Eight Ministry of Agriculture employees, trained as pilots with AID assistance, are now using small aircraft in a spraying campaign against locusts and water hyacinths. Locust swarms have destroyed crops in the Nile Valley for centuries; the water hyacinth, discovered on the White Nile in 1958, menaces water transportation, irrigation and fishing. U.S. Department of Agriculture specialists have assisted this spraying project.

AID's proposed program for the Sudan in fiscal 1968 includes development loans, technical assistance, and supplies of Food for Freedom,

principally wheat and wheat flour. AID assistance to agriculture will focus on crop diversification and increases in farm output. As part of its agricultural program, AID will help strengthen the curriculum and train the staff of Shambat Agricultural Institute, which will serve as a model for another school to be established with World Bank financing.

In education, AID will continue assistance to technical and higher education and will consider authorizing a loan for construction of 15 secondary and intermediate schools.

AID will complete the financing of the important Khartoum to Wad Medani road and will continue a transportation survey being made by Lockheed Aircraft International under AID contract. The survey will help guide future AID assistance to Sudanese transportation facilities.

TUNISIA

Tunisian is energetically engaged in economic and social development, is politically stable and is friendly to the West. It is also a moderating influence in African and Arab affairs. Because of the country's progress and strong self-help efforts, it is in position to make good use of continued American and other economic assistance.

Tunisia's chief development problem is to make the transition from a protectorate economy dependent on preferential trade relations with France to a competitive and efficient one. This transition will require basic changes in the crops produced, in farm management, and in the markets supplied. The problems of transition and a resulting shortage of resources have caused a severe and continuing balance of payments problem. Other problems arise from the fact that farm output has not kept pace with needs; private capital has had only limited latitude in the past; the population of five million provides only a small market, and the country lacks trained manpower.

The United States aids Tunisia within the framework of the World Bank's Consultative Group for Tunisia, which includes the bank, the International Monetary Fund (IMF), and 13 other member nations, AID seeks to strengthen and widen this multilateral arrangement to help improve the Tunisian balance of payments so that development may continue and to secure even stronger self-help measures by the country.

Tunisia has been vigorously attacking its economic and development problems. Partly as a result of AID influence and consultation, often in support of IMF recommendations, the government took a number of steps to improve economic planning and policies. Among the most important were the preparation of an annual economic budget and a cutback in proposed capital investment in 1967 from $280 million to $210 million, which is within available resources. The government also adopted a rigorous stabilization program as a condition for an IMF "standby credit" of $9.6 million.

Through these and other measures, Tunisia hopes to continue its growth while avoiding inflation and wasted resources.

With AID assistance, Tunisia has made important gains in agriculture. For example, an AID-financed contract with the Ralph M. Parsons Company, Los Angeles, brought modern well-drilling techniques to the country, resulting in wells that produce twice as much water as other wells and cost half as much to drill. The Tunisian Government's plans to drill 350 wells in five years, adding 100,000 acres of irrigated land to the present 200,000, are under study to determine the optimum amount of acreage that can be effectively developed. Gross income from irrigated land is at least five times that from dry land in Tunisia. AID's contractor is also training young Tunisians in modern well-drilling so that they can eventually carry on the program without U.S. assistance.

AID has helped Tunisia develop new varieties of fruits and vegetables, making possible a production increase expected to amount to $20 million by 1972. Ten new nurseries have been planted, and farmers now get fruit trees for 4 cents and olive trees for 7 cents, as compared to the $3.60 they previously paid for each imported seedling. Tunisian farmers now obtain six million new trees a year, and last winter—her domestic needs met—Tunisia exported 15,000 trees to Libya.

Another example of the value of applied agricultural research is the introduction of American disease-resistant tomatoes to Tunisia. A hectare (2½ acres) planted with the American tomatoes yields 60 tons of produce, compared with a national average of 10 tons yielded by the varieties formerly used. Tunisia in the past imported 3,000 tons of tomato paste, a staple food in the Tunisian diet, each year. Last year, Tunisia was able to provide for domestic needs and export 7,000 tons of tomato paste.

There has also been notable progress in encouraging private enterprise and liberalizing import procedures. By tying program loans to the purchase of American commodities, AID introduced a number of U.S. products to Tunisia, and many of the country's businessmen have become representatives for the U.S. products. Tunisian importers and U.S. exporters have established a multitude of new commercial connections. Because of the liberalized licensing procedures, private business is taking an increasing share of the imports made possible by AID loans and government import monopolies are playing a smaller role.

Other recent commercial and industrial gains include:

- Tourism is expanding with government help, and private businessmen are being encouraged and assisted to undertake hotel construction.
- The government also is assisting the phosphate industry, whose production totaled 2.37 million tons in 1963, reached 3.1 million in 1965, and continues to expand.

• Tunisia began exporting petroleum last year, a result of the discovery of the El Borma oil field in 1964. The value of petroleum exports is expected to total $26 million by 1968.

• Acting on advice from the World Bank, the government converted the state-owned economic development bank to private control and management.

• The Singer Company (sewing machines) and the Firestone Tire & Rubber Company are opening factories in Tunisia.

Fiscal Year 1968 Program

In fiscal 1968 AID will consider a program loan to finance imports of raw materials and other commodities needed for development, contingent on Tunisian adherence to stabilization measures recommended by the World Bank and the IMF. These self-help measures will be tailored to provide an adequate rate of growth without undue inflationary pressure and will be similar to those agreed to in 1966 and 1967.

A major goal of AID assistance to Tunisia is an annual increase of 3.8 percent in farm production. Under an AID contract, a University of Minnesota team will analyze Tunisia's agricultural problems, including the economics of wheat production and the effects of pricing policies. The team will also train officials of the Tunisian Ministry of Agriculture to continue such research and analysis. AID will continue Public Law 480 food assistance to the Food-for-Work program, in which some 140,000 Tunisians are given jobs carrying out rural land terracing and reforestation and building schools, low-cost housing, health clinics and roads throughout the country.

In the field of education France provides significant aid, and Tunisia's literacy rate—better than 25 percent—is one of the highest in Africa. AID therefore concentrates educational assistance on activities supporting economic planning, agriculture and management training. In fiscal 1968 U.S. Department of Labor technicians will continue an AID-sponsored program to help Tunisia analyze its manpower requirements and establish sound training programs. Texas A. & M. University will continue AID-financed assistance to the Chott Maria Agricultural School. That school, now in its fourth year, occupies temporary quarters near Sousse while a permanent home is being constructed. The school has 212 students and expects to reach its maximum enrollment of 500 by 1969. The faculty is composed mainly of Texas A. & M. instructors but also includes four Tunisians who received degrees from Texas A. & M. in 1966. Thirty-nine other Tunisians now are studying at Texas A. & M. and will become Chott Maria faculty members after graduation.

Higher education will be advanced by a development loan planned for equipment and facilities in the law and economics departments at the University of Tunis. Management Education Associates, a group of Harvard

Business School faculty members under contract with AID, will continue establishment of a post-graduate training center in business administration, and will hold seminars for Tunisian managerial personnel.

In the health area, Tunisia's fight against disease is being assisted by the World Health Organization and others. The United States supports basic nutritional needs through a school lunch program which benefits about 325,000 children, and through U.S. voluntary agency food programs that help more than 270,000 needy people. Tunisia has begun a family planning program with support of the Ford Foundation and the Population Council. AID assists in the related public education activities.

Tunisian industrial development in the coming year will focus on the phosphate industry and tourism. Tunisia plans further expansion of phosphate production, and AID will encourage private U.S. investments in the industry. Tourism receipts climbed from $12 million in 1964 to an estimated $38 million in 1966, and AID will promote continued growth by lending local currency derived from Public Law 480 food sales to both Tunisian and U.S. investors for construction of hotels. Seventy new hotels are planned through 1968–69.

CONGO (KINSHASA)

New U.S. development assistance to the Congo (Kinshasa) will be provided in the future primarily through regional and multilateral methods. However, AID will continue Supporting Assistance to the country in fiscal 1968 to help keep the economy functioning by alleviating its balance of payments problems, thus permitting the Congolese progress which is important to stability in all of central Africa.

The Congo achieved independence in 1960 without a political consensus, an effective government, trained administrators or reliable security forces. The resulting political instability led to repeated rebellions and separatist movements aided by Communist intervention. As a consequence, the nation suffered serious inflation which was aggravated by central and provincial budgetary deficits, higher labor costs, a chaotic monetary situation, and a serious decline in mining and agricultural production and exports.

The Mobutu regime, which came to power in November 1965, has virtually eliminated rebel activity in the east and in the northern provinces. The rebellion in these regions had helped to undermine an economic stabilization program sponsored by the International Monetary Fund and adopted by the Congo in November 1963.

The relative stability of the Mobutu government combined with certain lasting effects of the stablization program have resulted in substantial increases in mining and agricultural production. Copper exports have been resumed following the settlement of a dispute caused by the nationalization of Union Miniere, the country's largest copper producer. Earnings from agricultural exports, though still far below pre-independence levels, are increas-

ing. Earnings this year should be about $78 million, compared with $66 million in 1966.

The United States supported the IMF-sponsored economic stabilization program, which includes devaluation, credit controls and restraints on budgetary expenditures. Since fiscal 1964, the United States has provided balance of payments assistance in support of the stabilization program. The provision of wheat flour, cotton, rice, and tobacco under Public Law 480 program, totaling about $20–25 million annually, has helped to meet most of the Congo's requirements for these agricultural commodities. Supporting Assistance funds of $15–20 million annually, to provide trucks, vehicles, spare parts, industrial chemicals, textiles and building materials, have helped to meet requirements of the Congo's industrial and transportation sectors. The two programs combined have financed about 15 percent of the Congo's imports since 1964. The counterpart funds generated by the commodity import program have provided about 10 percent of the country's ordinary budget revenues.

Fiscal Year 1968 Program

In fiscal 1968 AID will continue to cooperate with other major aid donors, including Belgium, France, the United Nations and the European Economic Community, in assisting the Congo.

AID will provide balance of payments assistance through a Supporting Assistance loan to finance commercial imports from the United States. The local currency generated by this import program will be used for budgetary support, largely for developmental expenditures.

Through sales of agricultural commodities AID will make available scarce foodstuffs. The major part of the local currency proceeds will continue to be used for such programs as repair of transport facilities, agricultural development and manpower training.

AID will continue a limited program of technical assistance focused on manpower training and internal security. It also will provide graduate training for Congolese students in education, economics and agriculture. To improve public safety, AID will continue the services of U.S. public safety technicians, provide training for senior police officials in the United States, and supply transport and communications equipment.

A U.S. contribution to the UN Technical and Operational Assistance Program for the Congo, in which other donors also participate, will cover overhead costs and the foreign exchange portion of the salaries for 160 French-speaking technical advisors and operational experts who fill essential positions in the Congolese central and provincial governments.

OTHER AFRICAN PROGRAMS

Under the new AID policy for Africa, assistance to the 25 African countries other than the development emphasis countries and the Congo

(K) will be provided through direct financing of regional capital and technical assistance projects and through participation in multidonor financing of major capital projects.

The countries will also be eligible for capital assistance financed through proposed U.S. contributions to the African Development Bank; technical aid through AID-assisted regional organizations; and assistance from a proposed U.S. private investment corporation which AID would help establish as a channel for private sector loans in Africa. AID will also use a Self-Help Fund of up to $200,000 in each country to assist small, local projects. Shipments of Food for Freedom will also be available.

AID will complete technical assistance projects now underway in these other African countries, but will start no new bilateral technical assistance projects. It will complete capital projects now in an advanced stage of planning.

These other African countries receive up to 90 percent of their foreign assistance from donors other than the United States, with 50 to 60 percent of the aid being provided by the former colonial nations. The countries are the former French-controlled areas of Algeria, Central African Republic, Chad, Dahomey, Gabon, Guinea, Ivory Coast, Malagasy Republic, Mali, Mauritania, Niger, Senegal and Upper Volta; the former British-controlled areas of Botswana, Gambia, Lesotho, Malawi, Mauritius, Sierra Leone and Zambia; the former trust territories of Burundi, Cameroon, Rwanda and Togo; and the Somali Republic.

The success of the new regional and multilateral approach will depend largely on the ability of the African countries and their regional organizations to find new opportunities for development and on the ability of the United States to help identify sound projects, strengthen regional organizations and secure the cooperation of other aid donors.

Significant progress in regional cooperation has already been achieved by many of these countries:

- About two-thirds of them have pledged hard-currency capital to the African Development Bank;
- Eleven are participating in the work of the commissions chartered to develop the basins of Lake Chad, the Senegal River and the Niger River;
- Fourteen are members of the Central and West African organizations fighting major endemic diseases;
- Chad, the Central African Republic, Cameroon and Gabon formed the Central African Economic and Customs Union in 1966 to harmonize customs regulations and establish common external tariffs.
- The Ivory Coast, Upper Volta, Niger, Togo and Dahomey have established a loan guaranty fund—"the Entente Fund"—to encourage investments in agricul-

tural, commercial, industrial and other projects improving the basis for their economic development;

• Eight countries—Burundi, Ethiopia, Kenya, Malawi, Mauritius, the Somali Republic, Tanzania, and Zambia—have joined in an Economic Community of Eastern Africa. Interest in a comparable West African Economic Community is developing.

AID Technical Assistance

More than two-thirds of the existing projects which will receive AID technical assistance in fiscal 1968 are in the areas of agricultural and rural development or education.

Agricultural advisors and individual farmers are being trained in Dahomey, Niger, Togo and the Malagasy Republic in methods of improving extension services, developing irrigation wells and water supply systems, and diversifying crops.

AID provides advisors and faculty members to strengthen agricultural colleges in Malawi, Sierra Leone and Zambia; technicians to assist Senegalese efforts to diversify crops and increase production of grains and vegetables; and specialists to help Upper Volta, Mali, Niger and other West African states introduce better practices in livestock management and breeding. With AID help, improved soil and water conservation practices are being extended in the Somali Republic, Togo, Dahomey, Niger and several other states. At the same time, AID supports a regional program to control two serious cattle diseases in Africa—rinderpest and bovine pleuropneumonia.

Sales and donations of U.S. Food for Freedom are planned in Algeria.

To help build the educational foundations for development, AID will continue specialized training in vocational and commercial fields in most countries. In Gabon, Malawi, Zambia, Sierra Leone and the Somali Republic AID helps to develop courses in carpentry, metalworking, masonry, vehicle operation, mechanics and related skills. AID supports training in the operation, maintenance and repair of equipment needed for building highways and improving roads in six other countries. Initial supervisory and training services will also be supplied for a U.S.-constructed port in the Somali Republic.

Training Teachers

As economies expand, the shortage of teachers and the institutions to train them becomes a more serious problem. With AID assistance, Zambia is developing multipurpose secondary schools to overcome the country's lack of middle-level manpower. In the rural areas of Sierra Leone, AID helps to train teachers and youth leaders who will prepare young people for civic responsibilities. It provides materials for the construction of low-cost schools in the Somali Republic and Gabon through self-help projects asssisted by Peace Corps volunteers.

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The AID emphasis in Cameroon and Mali is on the training of teachers at the higher and pre-university level. Operational personnel are provided by AID for key positions in Zambia's civil service system, and training programs are under way in Malawi to improve the performance of civil servants. AID also assists a program of undergraduate study for public servants in Rwanda which includes scholarships for those who demonstrate special aptitude and leadership.

AID is trying to help these countries "stretch" teacher services by introducing new teaching techniques and encouraging a common language for their tribal societies. The Somali Republic is developing educational and literary materials in its national language with AID's help, while Malawi is establishing a system of aptitude and achievement testing tailored to its national needs.

AID provides vocational shop equipment to Upper Volta and scientific laboratory equipment to students in Niger.

AID-assisted medical programs include extensive training of registered nurses in doctor-short Sierra Leone and support for health education in the schools of Chad. The latter program is supported by a U.S. medical and sanitation team using American supplies and equipment.

AID will continue to assist training of civil police forces in Rwanda, the Somali Republic, Ivory Coast, Chad and Niger to help maintain their internal security.

In Guinea, where AID activities in agriculture, civil aviation and telecommunications already have been ended, AID will be concluding current projects in education.

Self-Help Fund

AID will continue to use a Self-Help Fund in each country to support worthy projects initiated by the people or their governments. Established in 1965, these funds assist low-cost projects that can be easily and speedily implemented.

In the past AID's contributions have included materials for the construction of a dispensary and maternity room by voluntary labor at Abang, Cameroon; for an irrigation system to be built by a vegetable farmers' cooperative in Gabon, and for a nursery for fruit trees in the Boghe Region of Mauritania. Machinery, equipment or tools were also provided for a cabinet makers' cooperative in Cotonou, Dahomey; for a university camp teaching soil conservation and reforestation in the Malagasy Republic, and for an experimental farm to increase the production of garden crops in Swanko, Mali.

The Peace Corps and U.S. voluntary foreign aid agencies have figured prominently in the direction of local projects supported through the Self-Help Funds. They have worked with volunteer labor on a library for Mogadiscio, Somali Republic; a tool and food storehouse for the agricultural center at Sidi Resaich, Algeria; a three-room school at Fort Archambault,

Chad, and poultry improvement projects in Guinea. In each case, AID provided materials needed to carry out the projects.

Development Loans

AID's proposed development loan program for fiscal 1968 consists of an amendment to an existing road construction loan in Cameroon, plus financing of three projects for which AID and the country had reached an advanced state of planning and for which AID in some cases is now furnishing preliminary engineering and design services. The three new loans will cover construction costs of an important highway connecting agricultural areas of Malawi with the heavily populated southern region of the country, a sanitary water system for the capital of the Somali Republic and expansion of Njala University in Sierra Leone.

AFRICAN REGIONAL AND MULTIDONOR PROGRAMS

Africa's newly-independent nations are cooperating increasingly to overcome or minimize the effects of the splintering of their continent into numerous separate states—a heritage of the colonial period and of tribal differences. The fragmentation of the African contineht has resulted in small national markets that do not readily attract investment capital; separate, unlinked transportation and telecommunications systems, and border disputes and other political problems.

A major U.S. objective in Africa is to support and encourage cooperative efforts between African nations and within regional and continent-wide organizations.

Africa has many opportunities for multicountry cooperation for progress, including joint development of specific areas, such as river basins; the establishment of regional training or research centers; the opening of multicountry markets to new industries; united attacks on common economic or political problems, and coordination of transport systems.

To achieve effective cooperation in the long run, African nations will need to coordinate their economic development and strengthen their regional economic institutions. These measures will enable them to make best use of their resources, avoid duplication of facilities, and heighten the impact of development policies on the continent as a whole.

The United States will help by assisting development of multinational economic institutions, organizations and projects. An increasing proportion of U.S. aid to Africa will be used for that purpose.

The Obstacles to African Cooperation

African agreement on specific development measures has been limited by preoccupation with national problems and by economic, cultural and

political differences. The size of the continent, its great distances and poor communications, also have made close cooperation difficult.

Most of the former colonies continue to emphasize cultural and trade ties with the countries from which they won independence. The regional institutions that have been formed still lack the experience and personnel to make cooperative programs work well.

Nevertheless, Africans have made considerable progress toward cooperation for development. They recognize the problems inherent in geographic fragmentation and in use of their limited resources for uncoordinated national development programs. They have sought to establish channels for coordination and cooperation through the Economic Commission for Africa, the Organization of African Unity (OAU), the African Development Bank and other regional and multinational institutions.

Financial support for multinational cooperation has reached impressive proportions considering the meager resources of the African states. Members of the African Development Bank have paid in more than $40 million in convertible currencies. An additional $85 million is payable in installments, and $125 million more is callable by the bank from member countries. The OAU has made substantial grants to its Scientific, Technical and Research Commission (STRC) for agricultural, educational and other multinational projects. STRC has played an active role in a number of AID-assisted regional projects, especially the program to control rinderpest among cattle, and will likely become involved in further regional activities contemplated by AID.

Kenya, Tanzania and Uganda are negotiating to continue the basic functions of the East Africa Common Services Organization (EACSO), which was established during the colonial period to provide common services to the three countries in revenue collection, transportation, postal operations, telecommunications, higher education and currency transactions.

The three commissions governing the development of Lake Chad and the Senegal River and Niger River basins have received $1.7 million from the countries sharing the water resources. Aided by the United Nations Development Program, the commissions are undertaking studies which will establish the basis for regional development of the watersheds.

Administrative costs of specialized organizations fighting major endemic diseases in the Central and West African states are now supported almost entirely by the 14 member countries, which regularly contribute to the operating expenses of action programs in their own countries.

Fiscal Year 1968 Program

AID will encourage African cooperation for development by assisting regional organizations and by financing regional projects, including projects undertaken jointly by two or more African countries. In addition, AID expects to participate with other donors in major capital projects, make loans to a proposed private U.S. investment corporation which would provide cap-

ital investments and technical assistance to the private sector, and provide funds to multilateral organizations for use in capital and technical assistance projects in Africa.

These will comprise the principal methods of U.S. assistance to the African countries where AID plans no new bilateral assistance in the future. AID will also use these methods to the maximum extent that it is possible throughout Africa, particularly when a regional project necessarily must include one or more of the 10 development emphasis countries.

AID assigns particular importance to assisting the African Development Bank so that it may serve as an alternate source of capital for those countries not receiving bilateral assistance from the United States. The provision of funds to the bank will be the subject of a special recommendation to Congress by the President. In addition, AID plans to provide advisory and operating personnel to the bank and finance the preparation of project studies for loan consideration.

AID also plans to cooperate with the UN Development Program, the World Bank and other multilateral agencies in seeking increased multidonor financing of regional projects and of country programs promoting or supporting regional cooperation.

Since many proposed regional activities are still in the development stage, AID's fiscal 1968 program will focus on assistance to current regional programs in agriculture, education and health. Attention will also be given to promoting private enterprise, strengthening regional organizations and participating in multidonor projects.

Health

AID technical assistance to health programs will concentrate on the continuing campaign to control measles and eradicate smallpox in 19 countries of Central and West Africa. AID cooperates in this program with two African regional health groups and the World Health Organization.

The proposed AID contribution—$11.4 million—will finance services of the U.S. Public Health Service, training costs of African technicians, supplies of vaccines and related expenditures. This will be AID's second annual contribution to a five-year program to immunize over 80 million children and adults against smallpox and 32 million children against measles. The participating nations contribute about $2 million a year to these campaigns.

Vaccine supplied by AID has provided a total of nearly six million inoculations against measles in Africa between fiscal years 1962 and 1967. It expects 8.5 million more inoculations to be given in fiscal 1968. In the African smallpox program, AID-supplied vaccine provided the protection of more than 16 million vaccinations in fiscal years 1966 and 1967.

AID plans to use $430,000 of Technical Assistance funds in fiscal 1968 to continue studying ways to control onchocersiasis, a disease which causes blindness; to develop preventive public health training seminars; to deter-

mine the feasibility of establishing an African population center, and to explore the use of systems analysis for determining more efficient health programs for various African countries.

Education and Training

To help African nations make more effective use of their manpower, AID will emphasize expansion of technical and professional training, including greater use of African institutions. Education and training programs will require $6.6 million in Technical Assistance funds as well as Supporting Assistance funds.

Africa's critical need for trained manpower—compounded by the departure of European expatriates from several nations following their independence—led to a variety of short-term, foreign-supported education programs for African students and officials. For example, AID in the past several years has provided many scholarships. Concurrently, the African states have expanded their national educational systems.

There is still a substantial need for training large numbers of Africans abroad. However, increased attention should now be given to having African students attend their own institutions. AID therefore plans to help selected institutions able to serve a number of countries to develop specialized programs pertaining to economic development. AID officials have discussed such a regional approach to specialized training with vice-chancellors of African universities and with the other major contributors to African education—the British and Canadian governments, and the Ford, Carnegie and Rockefeller foundations.

AID will continue in fiscal 1968 to grant scholarships to African universities and to strengthen African university departments and colleges in fields related to development objectives.

AID also will commit over $3 million to continue graduate and undergraduate training of Africans in U.S. institutions. AID provides scholarships through the African Scholarship Program of American Universities (ASPAU), its graduate counterpart (AFGRAD), and the Phelps-Stokes Fund. The number of Africans receiving undergraduate training at American institutions will decline as African institutions expand their programs and faculties.

Technical Assistance commitments will support specialized regional training centers, including the heavy equipment training center in Togo and labor training institutes directed by the African-American Labor Center.

AID will also continue support to joint activities in East Africa including the special training programs of the East Africa Common Services Organization and improvement of the University of East Africa. A Supporting Assistance program is planned in southern Africa to continue training, primarily at the secondary level, of refugees from territories under the control of South Africa and Portugal.

Increasing Agricultural Production

There are many opportunities for regional action to increase farm productivity and to establish or expand agricultural processing industries. Through joint action African nations could find ways to increase the production of food grains under special climate and soil conditions; could set agricultural priorities and coordinate research on production techniques, the use of land and water resources, and pest control; could develop common storage and marketing facilities; and could carry out vaccination programs to control cattle diseases.

AID plans a Technical Assistance commitment of $1.4 million to support regional activities in agriculture.

It will continue cooperation with the Scientific, Technical and Research Commission (STRC) and the European Economic Community (EEC) in a program to control rinderpest in 14 West African countries through vaccination of about 24 million cattle and to develop an effective vaccine against bovine pleuropneumonia. AID has also scheduled commitments for various regional feasibility studies designed to increase farmer earnings. These include studies of ways to improve wheat varieties in North and East Africa, to improve livestock marketing and rice production in West Africa, and to mechanize agriculture. About $700,000 is budgeted for these activities.

The same amount is budgeted for continued study of ways to establish large-unit private agricultural production in about 10 countries.

Promoting Private Enterprise

The development of most African countries has been retarded by a low rate of private investment. For that reason, AID plans to help identify investment opportunities and encourage private investment in those industries which can serve more than one country. AID will also provide "seed" capital to induce greater domestic and foreign investment, and will help finance the building of roads and other facilities required for industrial expansion. Technical Assistance commitments of $2.3 million are planned for these activities.

AID proposes to use $1.2 million of Technical Assistance funds to continue contracts with 15 U.S. financial institutions for the identification and promotion of private investment opportunities in at least 18 countries. The institutions will encourage private enterprise to undertake specific development projects.

AID is encouraging the creation of a private investment corporation for Africa and may authorize a development loan this fiscal year to help provide initial financing. This corporation, which would be organized by major U.S. financial institutions, would provide capital investments and technical assistance to African industries.

Industrial development necessarily depends on expansion of Africa's power, transportation and telecommunications facilities. During the present fiscal year AID is financing studies which are expected to lead to joint

financing of power and other projects by the African states or international agencies.

Strengthening Regional Organizations

AID proposes additional support for the planning and coordinating activities of the STRC, the United Nations Economic Commission for Africa, and subregional organizations. About $400,000 in Technical Assistance funds is budgeted to provide U.S. advisors to help these organizations. AID will also provide assistance to the African Development Bank through feasibility studies and technical services.

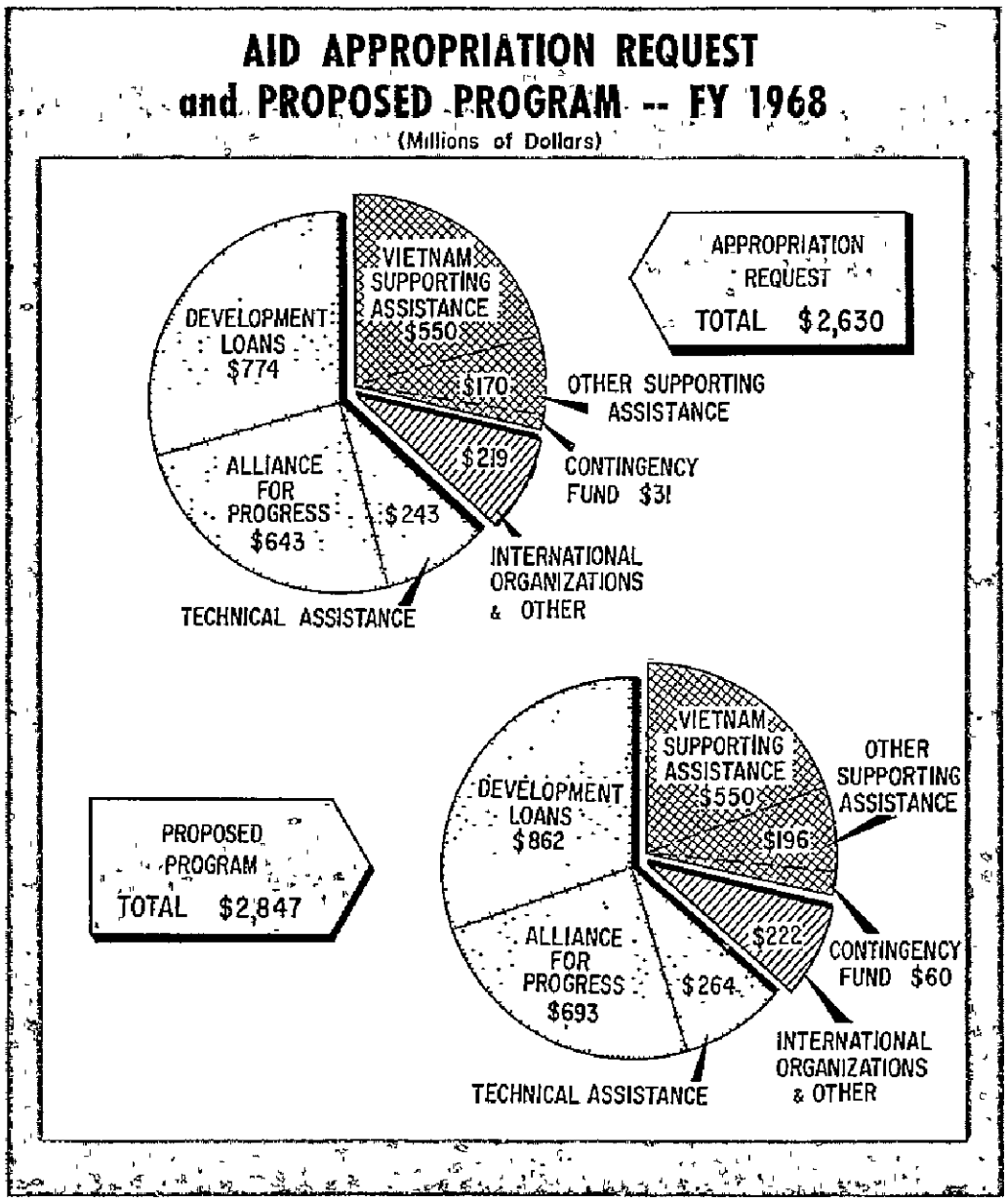
Multidonor Capital Projects

The largest multidonor capital project which AID will assist in fiscal 1968 is the Trans-Cameroon Railroad. AID has made one development loan for the project and contemplates a second. The new loan would finance extension of the rail route, speeding the movement of exports to the main population centers and the port of Douala. France and the EEC are also helping to finance the railroad.

In concert with the French and West German governments, the European Development Fund and several private sources, AID will also consider financing construction of a railway to transport iron ore from the interior of Gabon to the port of Libreville.

XII. ANALYSIS OF FISCAL YEAR 1968 REQUEST BY FUNDING CATEGORIES

The President's request contemplates a two-year authorization for all AID programs of economic assistance and new obligational authority of $2,630 million, a figure $100 million higher than proposed in the President's Budget and Foreign Aid Messages. The new total is entirely ac-



counted for by the Alliance for Progress for which the President sought the additional support after the April 1967 "meeting of the Presidents" in Punta del Este.

A two-year authorization will permit planning and execution of all AID economic assistance programs on the same basis as Development Loans and Alliance for Progress programs, both of which the Congress already has authorized through fiscal year 1969. Full review by the Congress will be maintained through annual presentation to the authorizing committees, if they so desire, and by the annual appropriations process, which would not be affected by the two-year authorization.

The requested economic assistance appropriations, together with other available funds such as repayments on loans, reimbursements and any unobligated funds from prior years, will provide a total of $2,847 million for AID programs in fiscal 1968.

FOREIGN ASSISTANCE ACT REQUESTS AND PROGRAMS

Including $100 million for additional programs in connection with the Latin American "summit" conference

(Millions of Dollars)

Category	Annual authorization request [1]	Fiscal year 1968 appropriation request	Fiscal year 1968 proposed program
Economic Assistance:			
Development Loans	(2)	$774.0	$862.3
Technical Assistance	$243.0	242.8	263.8
Alliance for Progress	(2)	643.0	693.1
Loans	.....	(533.0)	(578.1)
Grants	.....	(110.0)	(115.0)
Supporting Assistance:			
General	170.0	170.0	195.4
Vietnam	550.0	550.0	550.0
Contingency Fund	100.0	31.0	60.0
International Organizations and Programs	141.0	141.0	141.0
American-Sponsored Schools and Hospitals Abroad	14.0	13.9	14.0
Pre-Investment Assistance	[3] 4.9	[4] 2.0	[4] 2.2
Administrative Expenses—AID	59.3	59.3	61.8
Administrative and Other Expenses—Dept. of State	(5)	3.4	3.4
Total Economic	[2] $2,702.6	$2,630.4	$2,846.9
Military Assistance	[6] 596.0	[6] 596.0	[6] 681.0
TOTAL—Economic and Military	$3,298.6	$3,226.4	$3,527.9

[1] The proposed Foreign Assistance Act of 1967 would authorize all programs for two years—through fiscal year 1969. The authorization requests for fiscal year 1969 are the

By comparison, the fiscal 1967 economic assistance program is $2,402 million. However, the effective program level for fiscal 1967 is about the same as proposed for fiscal 1968. This is because AID suspended assistance to India and Pakistan following their war, and as a result $320 million of fiscal 1966 funds was available to support fiscal 1967 programs.

The President has also requested a two-year authorization for the Military Assistance Program, for which the Department of Defense has operational responsibility, and new obligational authority of $596 million for the program in fiscal 1968.

DEVELOPMENT ASSISTANCE

Development assistance is the core of AID's program to help the people of the developing countries build a better life and is central to the U.S. foreign policy objective of helping to establish a stable and peaceful world.

AID's basic development assistance tools are Development Loans, Technical Assistance, and Alliance for Progress loans and Technical Assistance grants.

Through development assistance AID provides, chiefly on a dollar repayable loan basis, U.S. skills and commodities to help less developed countries grow economically, socially and politically. AID uses development assistance as leverage to persuade these countries to take necessary self-help measures.

Development assistance now dominates the AID program. In fiscal 1958 less than one-third of AID's requested appropriation was for development assistance. In fiscal 1968, development assistance (excluding Vietnam) accounts for 87 percent of the appropriations request. Even if the

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same as those for fiscal year 1968 except for the following: Technical Assistance—$260 million; International Organizations and Programs—$158 million; Indus Basin Development Loan (no fiscal year 1968 request)—$51.22 million; Administrative Expenses, AID—$62.75 million; and Military Assistance—$630 million.

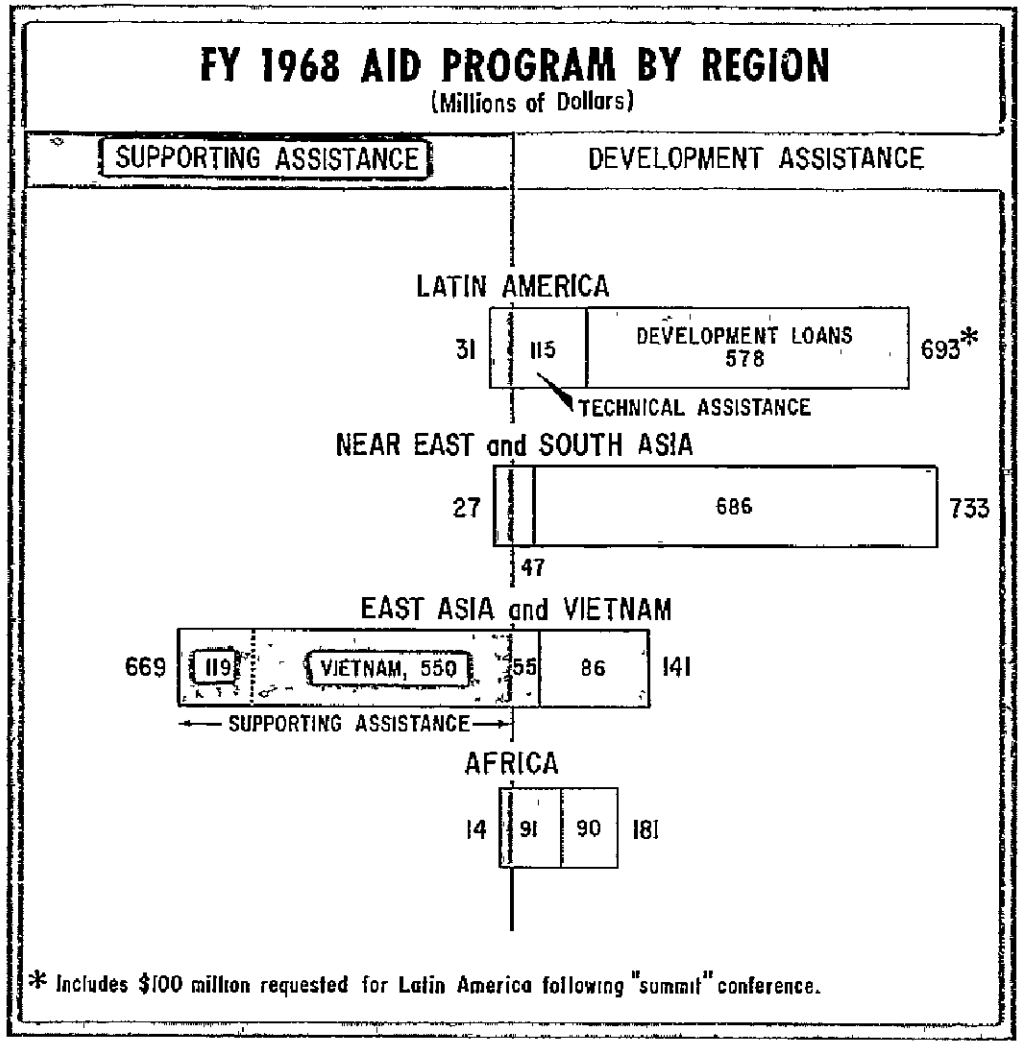
[2] Congress last year provided authorizations for Development Loans and the Alliance for Progress for fiscal years 1968 and 1969—each at annual levels of $750 million. Of the Alliance authorization up to $100 million could be used for Technical Assistance grants and the balance for loans. For fiscal year 1968 and fiscal year 1969 the Executive Branch is requesting increases of $10 million and $15 million, respectively, in the grant portions—to $110 million for fiscal year 1968 and to $115 million for fiscal year 1969.

[3] This is the total (not annual) authorization under this category and is for use beginning in fiscal year 1968.

[4] This figure excludes $190,000 that will be shifted from the Technical Assistance request to the Pre-Investment Assistance request to conform with the proposed Foreign Assistance Act of 1967.

[5] Permanent authorization for such funds as may be necessary.

[6] This figure excludes programs for Laos, Thailand, NATO Infrastructure and International Military Headquarters and Agencies, which have been transferred to the Defense Department budget.



large security-oriented Vietnam program is included, development assistance still totals 69 percent of the request.

For fiscal year 1968, proposed development assistance totals $1,819 million as compared with an estimated program of $1,409 million in fiscal 1967.

Regional Emphases in Development Assistance

AID programs in Latin America, the Near East and South Asia, and Africa concentrate on development assistance. Development Loans and Technical Assistance account for 95 percent of the proposed fiscal 1968 programs in these regions.

The mix of Development Loans and Technical Assistance varies by region and country. The greatest need of the more advanced aid recipients generally is capital assistance to sustain investment in expanding economies. On the other hand, the primary need of the less advanced countries usually is for help in developing human resources and in building basic institutions.

Development Assistance by Region

(Millions of Dollars)

	Fiscal year 1966 actual	Fiscal year 1967 estimated	Fiscal year 1968 proposed
Development Loans:			
Near East and South Asia	[a] $576	[a] $444	$686
Africa	70	90	90
Latin America	506	470	578
East Asia (excluding Vietnam)	80	85	86
Technical Assistance: [b]			
Near East and South Asia	44	42	47
Africa	81	85	91
Latin America	89	95	115
East Asia (excluding Vietnam)	36	44	55

[a] $320 million of fiscal year 1966 funds was available for fiscal year 1967 programs because aid to India and Pakistan was suspended following the outbreak of war between the countries.

[b] Technical Assistance funds also finance a variety of nonregional AID activities. Requirements for nonregional programs total $86 million in fiscal year 1968.

In Latin America and the Near East and South Asia, AID's main assistance is loans. In Africa, assistance is about equally divided between Development Loans and Technical Assistance grants. Most loans to Africa assist projects that strengthen the economic base and help to modernize society—for example, roads and other transportation links, power grids and communications facilities.

Supporting Assistance accounts for much of the East Asia program. However, AID proposes to commit $141 million in fiscal 1968 for long-range development purposes. The planned commitments are principally for Korea, for Southeast Asia regional programs and for renewed development efforts in Indonesia and the Philippines.

Development Loans

Dollar repayable Development Loans are the major element of AID's development assistance programs. These loans enable recipients to import U.S. goods and services essential to development which they cannot afford to buy with their own scarce foreign exchange or which they cannot finance from normal commercial sources.

AID loans finance such essential needs as irrigation works, private industrial facilities, fertilizer imports and plants, power plants, raw materials, equipment and spare parts.

In addition, AID uses Development Loans to encourage self-help measures needed to strengthen the recipient countries' expanding economies.

The loans thus can have an impact on development progress far in excess of the dollars lent.

Fiscal Year 1968 Request

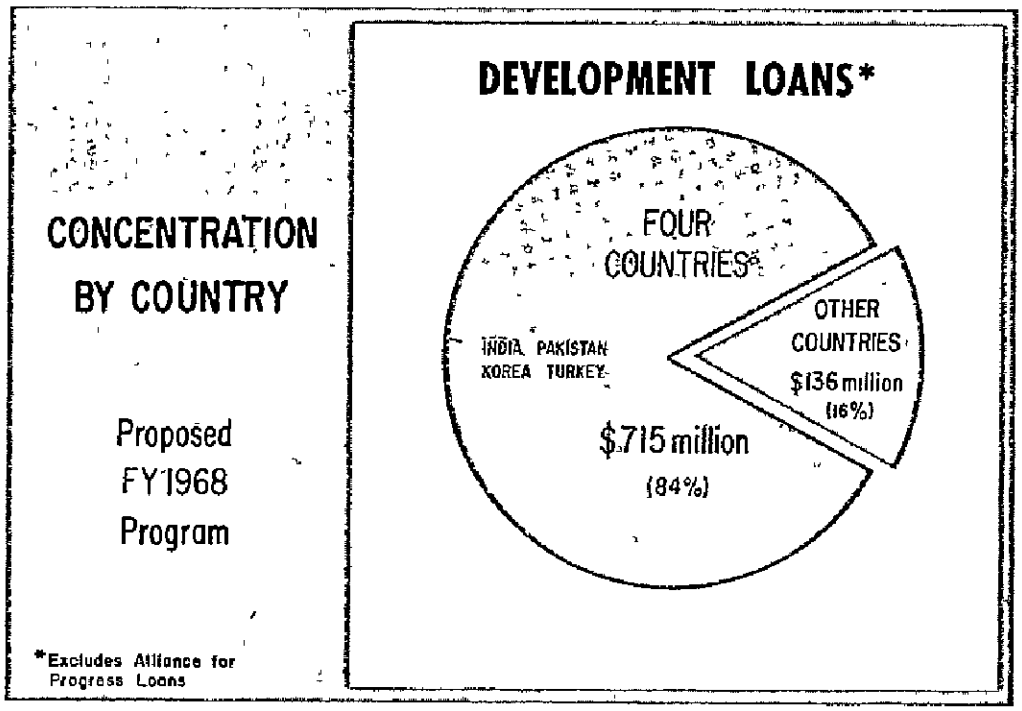
The President has requested new funds of $774 million for Development Loans to the Near East and South Asia, East Asia and Africa. With anticipated recoveries and loan repayments, this will support a total program of $862 million. In addition, a development lending program of $578.1 million is proposed for the Alliance for Progress.

The proposed Development Loan program in fiscal 1968 appears considerably higher than the estimated fiscal 1967 program. However, the proposed program for fiscal 1968 is about the same as the effective program level for fiscal 1967. This is because AID suspended assistance to India and Pakistan following their war and as a result $320 million of fiscal 1966 funds was available to support fiscal 1967 programs.

Criteria for Development Loans

Development Loans must meet all applicable technical and economic feasibility standards set forth in the Foreign Assistance Act, as well as additional standards and criteria developed by AID to insure sound and effective use of funds.

Each loan proposal is carefully reviewed by the AID field mission and by AID executive and technical personnel in Washington to insure that it meets all loan standards. Major loans are approved by the Administrator on the advice of the Development Loan Committee, a U.S. Government



inter-agency body including representatives of the Departments of Treasury and State and the Export-Import Bank.

Development Loan proposals are considered within the framework of AID's coordinated country programming process, which evaluates the importance to the United States of each country's development, its development potential, its self-help performance, and the availability of assistance from other sources.

Project Loans

Most AID Development Loans help to finance specific projects. In fiscal 1966, AID authorized 81 such loans totaling $410.2 million to assist a wide range of activities. For example, AID authorized:

- A $12.3 million loan to Turkey for expansion of a key power plant;
- A $3 million loan to Korea to increase the output of a cement plant;
- A $6.3 million loan to Jordan for telecommunications improvement;
- An $8.5 million loan to Colombia for supervised agricultural credit.

Project loan agreements specify that the recipient countries will take self-help measures needed to assure success of the projects. AID increasingly insists that certain reforms precede the disbursement of funds, that borrowing governments provide matching funds or complementary facilities, and that the projects be operated in specified ways.

Two-Step Loans

These are a special kind of AID project loan to private firms and private institutions. Under this procedure AID lends to a firm or institution at rates comparable to World Bank rates (5.5 percent interest with a repayment period of 15–25 years). The borrower repays the loan to its own government and in its own currency. The government in turn repays AID in U.S. dollars, though on concessional terms.

This two-step loan procedure serves each party's interests:

- The firm gets an investment in new or added plant capacity and can expand its operations—an investment for which it could not itself obtain necessary foreign exchange;
- The country gets a private sector development investment which will mean increased production, employment and tax revenue—without adding dangerously to its own short-term foreign exchange debt burden;

• The United States increases private sector development activity, a priority target;

• The United States makes a loan that is guaranteed by the government of the country and is repaid in dollars with interest, thereby helping the U.S. balance of payments as repayment is made;

• Since the loan finances U.S. exports, the current U.S. balance of payments is not hurt, and U.S. exporters get new business—often in a new market—with a future potential for spare parts, related equipment and replacement items.

Program Loans

Program loans finance general imports from the United States of goods needed for development.

As a less developed country grows, its expanding economy needs increasing amounts of commodity imports to maintain development momentum. There are increased demands for fertilizer, pesticides, tractors, and other equipment for the farmer; raw materials, capital equipment, and spare parts for private industry; steel and equipment to build and supply schools and hospitals; and thousands of other items to sustain development growth in other sectors.

In the early period of development, countries do not earn—and cannot afford to borrow—sufficient foreign exchange to pay for needed imports. AID program loans meet these needs and do so by financing U.S. exports.

AID concentrates program lending in a few key countries undertaking major development efforts. In fiscal 1966, AID authorized program loans for 10 countries, with substantial loans going to just seven—India, Pakistan, Turkey, Korea, Brazil, Colombia and Chile.

Program Loans and Self-Help

Program loans are particularly effective in assuring self-help measures and better economic performance by recipient countries. Each loan agreement requires the recipient government to undertake specific self-help policies and improvements which have an economy-wide impact—for example, fiscal, monetary and exchange reforms and institutional improvements.

Brazil provides a good example of how this works. In fiscal 1965, AID authorized a $150 million program loan to Brazil contingent on its acting to curb inflation, ease balance of payments difficulties, and stimulate development.

Among these measures were the holding of government expenditures to an agreed level; restrictions on the money supply during 1965 to help

reduce inflation to a rate of 25 percent compared with a rate of 140 percent in early 1964; the adoption of key tax reform measures; creation of an internal coffee pricing policy to discourage overproduction and encourage crop diversification; and a reduction in controls on exports.

AID disbursed the first installment of the loan upon signing of the agreement, but made disbursement of the subsequent three quarterly loan installments contingent on Brazil's progress in taking the agreed self-help measures. Each subsequent review showed that Brazil was successfully carrying out the loan conditions, and each installment was therefore disbursed on schedule.

Loan Terms

All Development Loans are repayable in U.S. dollars. AID makes most of its loans on the minimum terms set by Congress in 1964: One percent interest during a 10-year grace period and 2.5 percent interest for the remaining 30 years of the loan. AID makes a few loans on harder terms to countries which are better able to bear the costs.

However, hard loan terms are incompatible with the U.S. goal of helping the developing countries achieve self-sustaining growth in the shortest possible time and with the least amount of assistance. The external debt of the less developed countries has been increasing at a rapid pace, while their capacity to service additional external debt on hard terms is rapidly decreasing. Currently, annual payments of debt service by all the less developed countries average 15 to 20 percent of the new assistance they receive. In Latin America, the average is 22 percent, including 35 percent in Brazil alone.

To repay Development Loans the less developed countries must divert foreign exchange from the importation of capital goods. This shift decreases the net flow of productive resources, resulting in a higher volume of assistance being required to do the same job as before.

The United States continues to urge other developed nations to provide larger volumes of aid on softer terms, and progress has been made. The United Kingdom provides some interest-free loans, while Denmark and Canada extend all loans interest-free. U.S. ability to influence the assistance terms of other nations will be greatly reduced if it hardens its own terms.

Technical Assistance

Technical Assistance grants are the second principal element of AID development assistance. Funds in this category are used to carry out programs in Africa, Near East and South Asia, and East Asia (technical assistance programs in Latin America are carried out with separate Alliance funds).

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Through its Technical Assistance programs, AID helps build the basic institutions and develop the human skills which are required for sustained economic, social and political development.

For fiscal 1968, an appropriation of $242.8 million has been requested. Together with recoveries and reimbursements this will finance a total program of $263.8 million compared with a fiscal 1967 program estimated at $225.3 million. The increase is primarily for expanded programs in the priority areas of agriculture, health and education.

Assistance by Regions

AID plans a commitment of $193 million for Technical Assistance programs in Africa, the Near East and South Asia, and East Asia.

Technical Assistance programs comprise 47 percent of the proposed AID program in Africa, and smaller percentages of the programs in other regions—16 percent in Latin America, 7 percent in East Asia and 6 percent in the Near East and South Asia. These variations reflect the nature of U.S. objectives, the ability of individual countries and regions to make optimum use of capital assistance rather than technical assistance, and the relative urgency of a developing country's need for skilled manpower and institutional development.

The task of the less developed countries is enormous—they must try to achieve in a few decades the progress that other nations have made over centuries. Through AID Technical Assistance programs, American skills and know-how are helping them to accomplish needed change and growth.

- In Korea AID-financed tax experts from the U.S. Internal Revenue Service are advising on tax reforms and strengthened tax administration. The program, which was begun in fiscal 1964 and whose annual obligations have never exceeded $200,000, has had striking results—domestic tax revenues increased from $185 million in 1964 to $416 million in 1966.
- In Jordan, AID has helped establish or expand agricultural credit and cooperative institutions, an agricultural extension service, a land-grant type agricultural college with a demonstration and experimental farm, and a system of vocational agriculture secondary schools.
- In Africa, AID is assisting the Scientific, Technical and Research Commission of the Organization of African Unity to eradicate rinderpest, a fatal cattle disease, in Nigeria, Ghana and several other West African nations.
- During fiscal 1968, AID will provide Technical Assistance to Indian and Pakistani training programs for family planning nurses.

Administration of Technical Assistance

AID continues to increase its use of private American institutions and talents in its Technical Assistance programs. American universities, business firms, labor unions, cooperatives and other organizations now provide about 45 percent of the number of AID technicians overseas. About 85 percent of all AID-financed educators abroad are contract employees, representing 74 U.S. colleges and universities.

AID and the United Nations Development Program (UNDP) plan to study ways in which AID Technical Assistance funds could be provided to the UNDP as funds-in-trust, for use in Technical Assistance projects. These funds would supplement U.S. voluntary contributions to the UNDP and would differ in use in that the United States would designate their special purpose. AID is particularly interested in using funds-in-trust for specific African projects or sectoral activities, including agriculture and education.

International Training

Largely through Technical Assistance funds, AID sponsors training in the United States for technicians from developing countries, helping to provide the skilled manpower needed for progress. These "participants" or trainees are chosen from the government and private sectors of their countries on the basis of their potential contribution to development. Generally, about 5,000–6,000 such participants are in the United States. About half are enrolled at U.S. colleges and universities, while the others are observing U.S. farms, businesses or other activities related to their own careers or are receiving specific on-the-job training for future use in their own countries.

Participants must agree to return home after their U.S. tours are completed and to work at least two years in the areas for which they received training.

Development Research

For fiscal 1968, AID plans a development research program of $9 million. This is $1.7 million more than the estimated fiscal 1967 program. No separate appropriation is required for this activity, since AID finances it from Technical Assistance appropriations.

Most AID-sponsored research is designed to provide specific breakthroughs in knowledge and technology which will speed up the development process. Other projects are designed to equip AID with the tools of analysis and the techniques of evaluation to strengthen its programming and administration. The research is carried out by U.S. universities, other federal agencies, foundations, research institutes and other private institutions.

In fiscal 1968, AID-sponsored research projects will continue to concentrate on the priority fields of agricultural development, nutrition and family planning.

The research projects completed thus far have resulted in important gains or savings. For example:

- Through research, AID has reduced the operational costs of its malaria eradication program by over $3 million a year;
- AID-sponsored research resulted in a method for controlling the tsetse fly, which infects cattle with sleeping sickness, and thus made possible large-scale livestock production in many African countries;
- A U.S. Department of Agriculture study of grain legume production in the Near East and South Asia resulted in development of two new varieties which produce a 20 to 40 percent greater crop yield than currently used varieties.

Grants to U.S. Institutions

The Foreign Assistance Act of 1961 authorizes AID to help American research and educational institutions strengthen their capacity to assist AID in carrying out assistance programs overseas. AID is requesting authority to use $20 million in fiscal years 1968 and 1969 for this program.

U.S. technology and knowledge which is relevant to the needs of the United States is not necessarily applicable to the problems of the developing countries. For example, the United States has few problems of land tenure and land reform and U.S. educational institutions consequently do not give major attention to this area. But land tenure and land reform are critical problems of developing nations. It is important, therefore, to develop an increased U.S. capability to deal with these and other problems, such as tropical diseases, arid land agriculture, and educational technology appropriate for solving massive problems of illiteracy in developing nations.

AID will identify these operational needs and relate them to research and educational institutions which have indicated an interest in cooperating and which qualify for grants.

AID has identified more than 40 project areas requiring intensive study. The great majority are concerned with critical requirements in the priority development areas of agriculture, health and education. For example, if India's continuing food problem is to be solved, Indian agriculture must be developed to the point that it can fill the country's needs. Five American universities—Illinois, Tennessee, Missouri, Ohio State and Kansas State—have formed a consortium to work on problems of Indian agriculture with primary emphasis on food grain production. AID will consider assisting their efforts with a research grant.

There is a critical need for a center to serve the policy and economic aspects of development planning in AID's Technical Assistance program.

Few economists in the United States deal specifically with the problems of development planning. Consequently, qualified planning personnel are scarce, particularly in newer fields like educational planning. AID is considering establishing such a center to help it supply less developed nations with advisory services, to help train policy and planning personnel in the developing countries, and to train AID employees in serving AID and developing country policy and planning requirements.

Other Technical Assistance Programs

Technical Assistance funds also finance program support and interregional activities such as payment of ocean freight costs for supplies privately donated for the overseas work of American voluntary agencies, support for the work of the International Executive Service Corps, and assistance to child feeding programs in 91 countries.

THE ALLIANCE FOR PROGRESS

The President has requested new obligational authority of $643 million for the Alliance for Progress, including $533 million for Development Loans and $110 million for Technical Assistance. The new appropriations, together with carryovers, reimbursements and loan repayments will provide a total of $693.1 million for the fiscal 1968 program, including $578.1 million for Development Loans and $115 million for Technical Assistance.

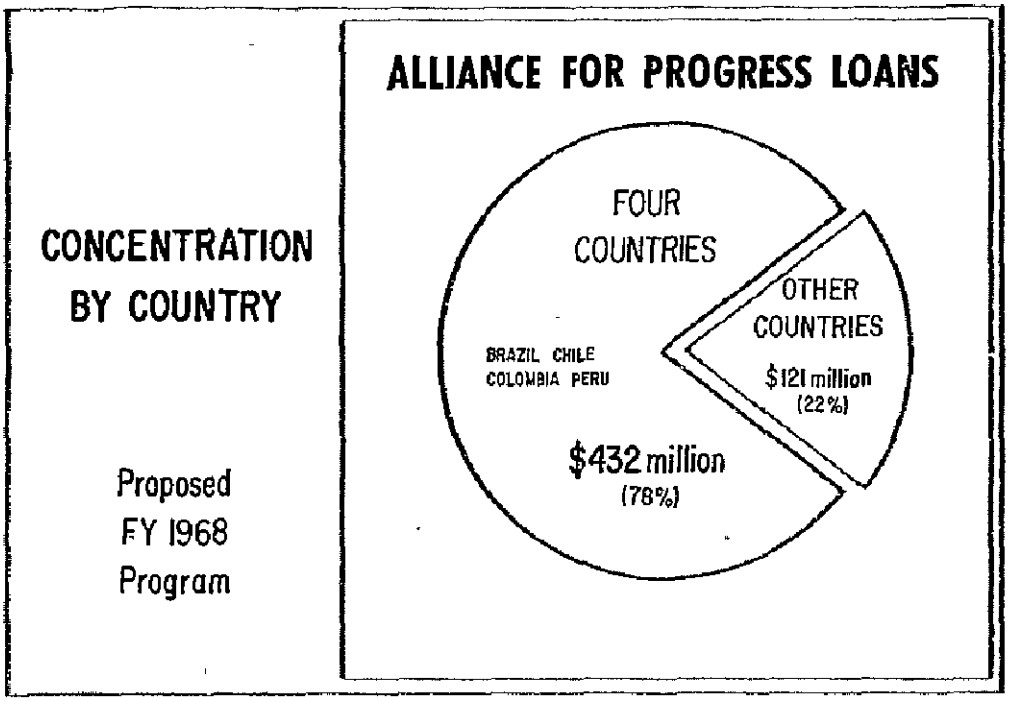
Alliance for Progress Programs

(Millions of Dollars)

	Fiscal year 1966 actual	Fiscal year 1967 estimated	Fiscal year 1968 proposed
Development Loans	$505.5	$469.8	$578.1
Technical Assistance	88.5	95.0	115.0
TOTAL	$594.0	$564.8	$693.1

By comparison, the estimated fiscal 1967 program level for the Alliance is $469.8 million for Development Loans and $95 million for Technical Assistance.

The United States' commitment to the Alliance was re-affirmed by President Johnson at the Punta del Este "meeting of the Presidents" in April 1967. The President pledged continued development support from



the United States while reminding his counterparts that the preponderance of development efforts and resources must come from within Latin America.

AID's fiscal 1968 program will continue to concentrate on those countries which are making maximum self-help efforts. For example, program loans are planned for Brazil and Colombia, countries which have shown a particular ability to move ahead with reform, stabilization and development.

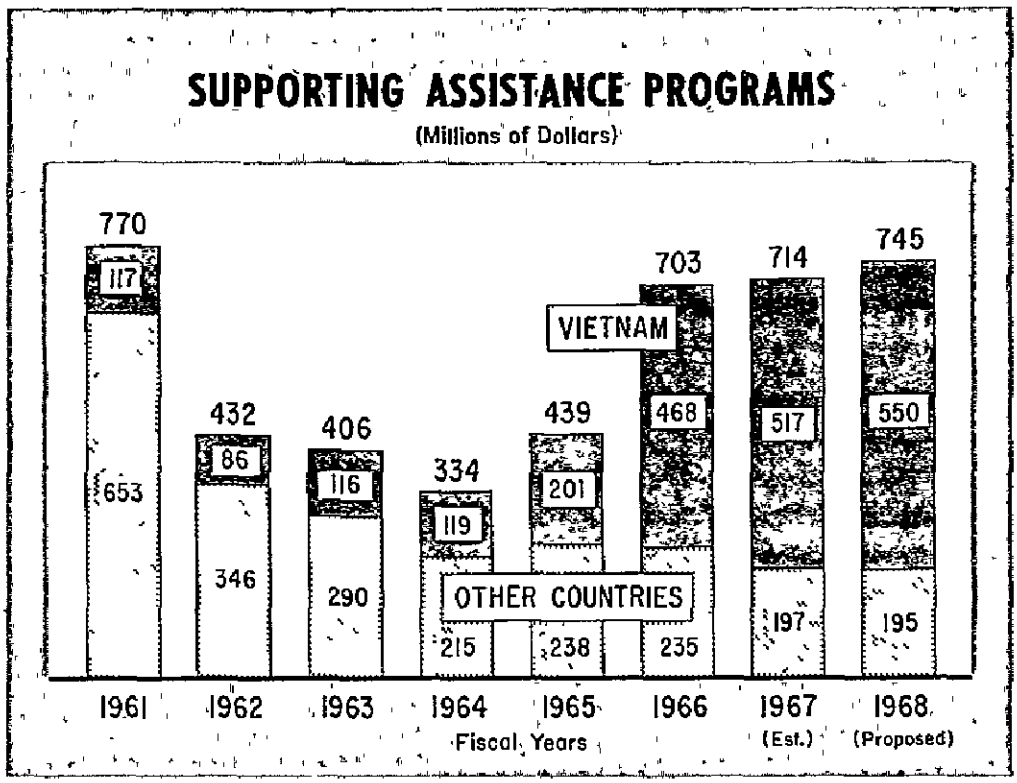
Project loans in fiscal 1968 will emphasize assistance to agriculture and to such important fields as private development banks, urban development, industrial credit, a private investment fund and continued support for the Central American Bank for Economic Integration.

AID will increase its assistance to Latin American agriculture, health and education programs. The proposed Technical Assistance program of $115 million therefore is $20 million higher than the estimated fiscal 1967 program.

SUPPORTING ASSISTANCE

Supporting Assistance protects and advances immediate U.S. foreign policy interests. It is provided primarily to build the defensive strength of less developed nations threatened by Communist expansion and to avert dangerous economic and political instability in sensitive areas.

Within individual countries Supporting Assistance is coordinated closely with other U.S. assistance programs. To the maximum extent possible it is used to prepare a solid foundation for economic development and progress toward self-support.



Supporting Assistance funds are used primarily for the purchase through normal commercial channels of raw materials and other essential imports which the recipient country is unable to finance from its own foreign exchange earnings. The private exporter (usually in the United States) provides the commodities and is paid in dollars. The local importer pays full value in local currency to his government, which then uses the funds to finance defense or other programs of mutual benefit to the recipient country and to the United States.

Supporting Assistance is also used for direct financing of specific projects. In these cases it is similar to Technical Assistance, paying for technicians, training, commodities and similar costs. The critical difference is that such projects are primarily for counterinsurgency, security or related purposes.

New Authorization Request

The President has requested $720 million of new Supporting Assistance funds for fiscal 1968. There are two separate appropriation requests—$550 million for Vietnam and $170 million for nine other Supporting Assistance programs.

Ninety percent of the requested funds will go to just four countries, Vietnam, Korea, Laos and Thailand.

Supporting Assistance—Vietnam

As the President stated in his Foreign Aid Message of February 9, 1967: "The $550 million planned for Vietnam is indispensable to military success, economic stability and continued political progress. It will stimulate and-support measures to bind the people and Government of South Vietnam together in a common cause. It will help to begin the task of reconstruction and development. It will relieve war-time suffering for millions of Vietnamese."

AID will finance all its economic assistance activities in Vietnam in fiscal 1968 from Supporting Assistance funds.

These AID programs focus on helping to maintain economic stability; assisting "Revolutionary Development" through which constructive change is brought to the countryside; relieving economic and social consequences of war, and preparing for future economic and social development.

AID grants, and revenues originating from AID-financed imports, provide about one-third of South Vietnam's national budget of nearly $700 million and much of the cost of the "Revolutionary Development" program.

AID-financed commercial imports for Vietnam should decline in fiscal 1968 from previous years ($398 million in fiscal 1966, and less than $285 million in fiscal 1967), since the Vietnamese Government is earning increasingly larger amounts of foreign exchange to use for imports. However, AID plans to expand technical assistance, refugee relief projects and long-range development programs. The proposed AID budget for Vietnam in fiscal 1968 therefore is slightly larger than in fiscal 1967.

Supporting Assistance—General

The requested $170 million in new funds will be used for large programs in Korea, Laos, Thailand, Jordan, Congo (Kinshasa) and Dominican Republic; and smaller programs in Haiti and Panama. Together with recoveries, receipts and reimbursements estimated at $25.4 million, the new funds will provide a total of $195.4 million for the fiscal 1968 program.

A major commitment is planned for Korea, which is shouldering a greater defense burden that it can support on its own. However, the country's progress has made possible a steady shift in AID help from Supporting Assistance to Development Loans, and Supporting Assistance programs will end in the early 1970's.

AID programs for Laos and Thailand are designed to help deter Communist expansion and insurgency. In both countries, Supporting Assistance helps stabilize the economy, contribute to rural development and increase internal security.

Instability and disorder continue to threaten the future of the Congo (Kinshasa). Through Supporting Assistance, the United States helps to finance U.S. imports needed to keep the Congolese economy functioning and assists Congolese efforts to maintain internal security.

U.S. assistance to Jordan will provide budget support necessary for continued economic development and will help strengthen the country's position as a moderating influence in the Near East.

In Panama, Supporting Assistance will focus on projects in highly populated urban areas troubled by unrest, while in the Dominican Republic AID will help finance government development projects that will provide increased employment. A small commitment is planned for Haiti to continue a malaria eradication program.

Supporting Assistance is reduced or eliminated as rapidly as U.S. interests and economic progress in the recipient countries will permit. Supporting Assistance programs in countries other than Vietnam have been reduced from $653 million in fiscal 1961 to the proposed level of $195.4 million in 1968.

CONTINGENCY FUND

The Contingency Fund is used to meet urgent assistance needs that are either unforeseen or cannot be accurately defined in advance.

The President has requested an appropriation of $31 million for fiscal 1968. Together with estimated recoveries of $4 million and an estimated carryover of $25 million from fiscal 1967, this will provide a total Contingency Fund of $60 million.

The estimated carryover of $25 million from fiscal 1967 resulted from a Presidential directive to government departments and agencies to withhold certain funds and carry them into fiscal 1968. AID tentatively assigned a saving of $25 million to its Contingency Fund, reducing the Fund in the current fiscal year from $76 million to $51 million. However, since $48 million of the Fund was already committed by the end of January 1967, it may be necessary to reassign all or part of the $25 million saving to a different funding category. This would reduce or eliminate the Contingency Fund carryover.

The Contingency Fund has enabled the United States to respond effectively to economic and political crises in less developed countries. To illustrate, during fiscal 1966 AID used $42 million from the Contingency Fund to bolster the Commercial Import Program in Vietnam, to help the Vietnamese Government stem dangerous inflationary pressures and to expand some key projects. It also provided $37 million to the Dominican Republic for emergency relief and rehabilitation and to maintain essential government services.

The Contingency Fund also is frequently used to assist victims of natural disasters abroad, such as earthquake and flood, or to help with emergency medical needs. In fiscal 1966, AID furnished $2 million from the Fund to help counter the threat of a widespread cholera epidemic in the Near East and Southeast Asia.

VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

Through voluntary contributions to multilateral programs, the United States helps the United Nations' family of agencies carry out programs for building a better world and for keeping the peace. For fiscal year 1968, the President has requested $140,980,000 in new appropriations for contributions to these organizations and programs.

About 85 percent of the funds requested in fiscal 1968 will be used for cooperative programs for the economic and social development of the less developed countries, including:

- The UN Development Program (UNDP), which carries out pre-investment surveys, establishes institutions for training and research, and provides technical skills;
- The UN Children's Fund (UNICEF), which assists countries in establishing programs for improving the health and welfare of children and mothers;
- The Indus Basin Development Fund, which has already completed 75 percent of a massive project for utilizing the waters of the Indus River Basin;
- The UN Assistance Program for the Congo (Kinshasa), which helps that country's government provide essential services;
- The World Food Program, a multilateral program for using food supplies for economic and social development;
- Special contributions to UN organizations for assistance to South Vietnam;
- The Operational Program of the International Atomic Energy Agency, which promotes peaceful applications of atomic science;
- The UN Institute for Training and Research, which improves the quality and efficiency of the UN system;
- Educational and legal assistance for victims of South Africa's apartheid policy.

The remaining 15 percent of the requested appropriation is for contributions to UN peacekeeping operations and to programs for maintaining stability in troubled areas. Voluntary contributions are proposed for support of the UN emergency force stationed on the border between Israel and the United Arab Republic, and to assist the UN Relief and Works Agency, which helps provide the basic needs of one million Arabs displaced by the Palestine conflict.

Voluntary Contributions to International Organizations and Programs

(Thousands of Dollars)

	Fiscal year 1966 actual	Fiscal year 1967 estimated	Fiscal year 1968 proposed
UN Development Program	$65,000	$70,000	$75,000
UN Children's Fund	12,000	13,000	12,000
Indus Basin Development Fund	26,981	31,000	25,500
UN Technical and Operational Assistance to the Congo	4,700	4,500	3,000
UN/Food and Agriculture Organization—World Food Program	2,000	2,000	2,000
Special Contributions for Vietnam	.....	1,000	2,000
International Atomic Energy Agency Operational Program	1,000	1,000	1,000
World Health Organization—Cancer Research	75	150	150
UN Institute for Training and Research	400	500	500
UN Programs for South Africans	.....	.....	150
UN Relief and Works Agency	[a] 14,000	[a] 13,300	[a] 13,300
UN Peacekeeping Operations:			
UN Emergency Force (Near East)	1,455	6,838	6,385
UN Force in Cyprus	9,500	[b] 4,387	.....
Inter-American Peace Force	600	.....	.....
International Secretariat for Volunteer Service	49	45	.....
Total	$137,760	$147,720	$140,985

[a] Total annual pledge, including agricultural commodities: Fiscal year 1966—$22,900 thousand; fiscal year 1967—$22,200 thousand; fiscal year 1968—$22,200 thousand.

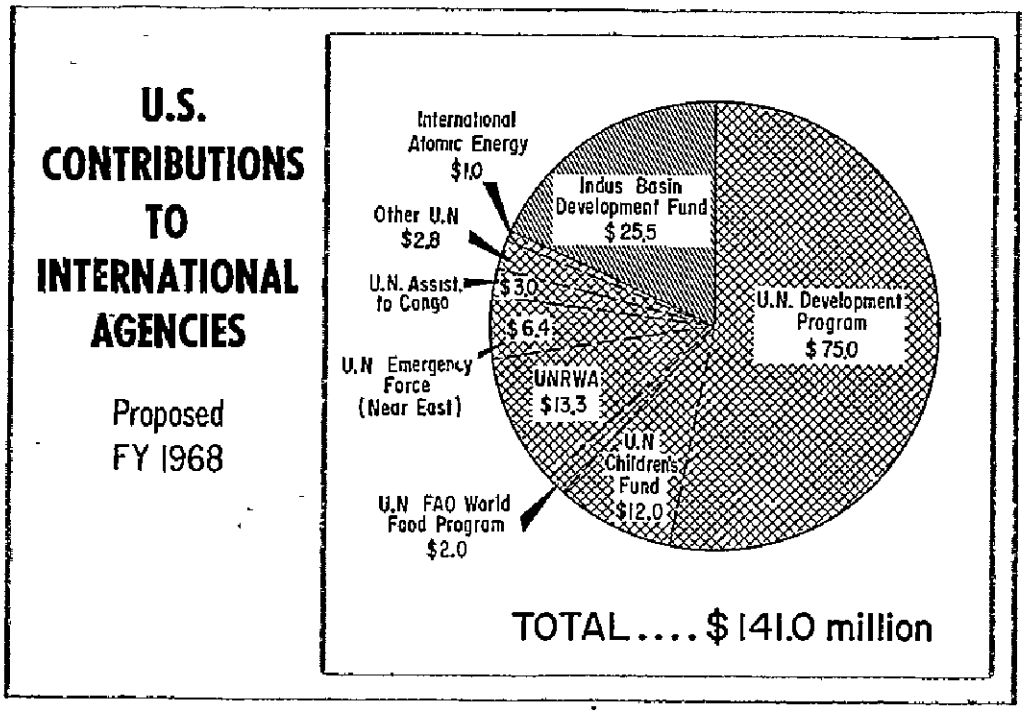
[b] In addition $3,613 thousand to be funded from the Contingency Fund.

Fiscal Year 1969 Authorization

The President has requested that authorizations for U.S. contributions be placed on a two-year basis and that grants of $158 million be authorized for fiscal 1969. The increase of $17 million over the fiscal 1968 level would enable the United States to meet projected requirements for U.S. contributions to peacekeeping operations, to the UN Development Program, and to multilateral programs to increase food production and improve food distribution. The increase will be offset in part by an expected decrease in U.S. grant contributions to the Indus Basin Development Fund. The President also has requested authorization for the appropriation of $51,220,000 to be used for loans to the Indus Basin Development program beginning in fiscal 1969.

Basic Principles

Self-help is a basic principle of UN economic and social development programs. The UNDP, the UNICEF and the World Food Program require


U.S. CONTRIBUTIONS TO INTERNATIONAL AGENCIES
Proposed FY 1968
International Atomic Energy $1.0
Other U.N $2.8
U.N. Assist. to Congo $3.0
U.N Emergency Force (Near East) $6.4
UNRWA $13.3
U.N Children's Fund $12.0
U.N FAO World Food Program $2.0
Indus Basin Development Fund $25.5
U.N. Development Program $75.0
TOTAL.... $141.0 million

assurances from assisted governments that they will continue projects begun with UN aid. The projects themselves require counterpart contributions by recipient countries in the form of local currency, personnel and facilities.

The United States assures that other nations share the burden of providing assistance, usually through a stipulation that U.S. contributions to a UN program cannot exceed 40 percent of the total contributions by all nations. The less developed countries generally make modest contributions to the central funds of the UN organizations which assist them. The number of countries voluntarily contributing to one or another UN program has risen in recent years to over 120.

About $100 million, or 70 percent of the proposed U.S. contributions to international organizations in fiscal 1968 will be used to increase food production, attack disease, and develop educational facilities in the developing countries. About $57 million will be used for agriculture, $18 million for health, and $24 million for education. Other governments' contributions will of course increase the total commitments to these areas.

Where feasible, the United States contributes to UN programs in the form of U.S.-produced agricultural commodities or U.S.-owned foreign currencies, thereby reducing the impact of contributions on the balance of payments.

U.S. support for international programs increases the volume of resources available to attack pressing world problems by encouraging other nations to increase their contributions; helps enlist scarce development skills on a worldwide basis; and, in view of the greater willingness of nations in some circumstances to accept advice from multilateral institutions, promotes greater efficiency in the use of both domestic resources and external assistance.

UN Development Program

The UN Development Program (UNDP) began on January 1, 1966, and combines two previously separate programs—the Expanded Program of Technical Assistance (EPTA) and the Special Fund.

The EPTA program primarily provides experts and training fellowships to expand the technical resources of the developing countries. In November 1966, the UNDP approved a two-year technical assistance program totaling $110.7 million, with more than 81 percent of the proposed expenditure planned for support of 6,000 experts in the field. In addition, EPTA provides more than 8,000 fellowships to students from the less developed countries for advanced training abroad and participation in UNDP seminars and work-study tours. Twenty-five percent of program funds go for agricultural projects, with education, public health and industrial development programs each receiving approximately 15 percent.

The Special Fund concentrates on pre-investment programs designed to increase a developing country's productive capacity and help it establish a more favorable investment climate. As of December 31, 1966, the fund had allocated $644.5 million to a total of 657 pre-investment type projects. Counterpart contributions from recipient governments totaled $920.8 million. More than 40 percent of all projects, or 284, involve natural resources surveys or feasibility studies; 132 are for research; 233 for training, and 10 for economic development planning.

As of November 30, 1966, a total of 108 projects had been completed. Thirty-one, undertaken by the UNDP at a cost of $38.5 million, thus far have stimulated follow-up investments totaling $1.6 billion.

In 1965, the UN General Assembly increased the target for annual contributions to UNDP to $200 million from the 1960–65 annual pledging goal of $150 million. For calendar year 1968, the United States proposes to contribute $75 million, subject to the condition that the U.S. pledge does not exceed 40 percent of total government contributions.

The United Nations Children's Fund

The UN Children's Fund (UNICEF) helps governments devise programs of permanent benefit to children, provides needed supplies and equipment, and aids the training of national and local staffs to operate the programs.

In December 1966, UNICEF observed its 20th anniversary. During its two decades of work, it has done much to help improve the lives of the world's children. Since 1950 when UNICEF shifted from emergency assistance to war-torn Europe and Asia to long-term assistance to developing nations, it has conducted extensive medical programs, including the equipping of more than 33,000 health services ranging from village dispensaries to modern pediatric wards. These facilities have served over 70 million mothers and children.

Since UNICEF began aid to education and vocational training in 1962, it has helped to equip about 6,600 primary schools, 137 secondary schools, 295 teachers' training centers and 289 vocational and prevocational training centers. With UNICEF help, more than 164,000 persons in the developing countries have been trained in health services, education and other needed skills.

The UNICEF Executive Board approved a total budget of $38.2 million in 1966. About 60 percent of program allocations was for health services and disease control programs; 15 percent for nutrition projects and a like amount for education; and 10 percent for family and child welfare programs, vocational training and other projects. For the first time, the UNICEF Executive Board in June 1966 approved assistance for programs which include family planning.

A total of 117 governments contributed approximately $26.1 million to UNICEF in 1965, while 120 countries pledged about $26.6 million in 1966.

The UNICEF Executive Board has established a target of a $50 million annual income by 1970. The United States plans to pledge $12 million for calendar year 1968, provided that the U.S. share does not exceed 40 percent of total governmental contributions.

The Indus Basin Development Fund

The Indus Basin Development Fund (IBDF), administered by the World Bank, is financing a 10-year program to construct works in Pakistan to replace waters allocated to India under the Indus Waters Treaty. The project, the largest earth-moving job ever undertaken, involves the construction of a dam, seven barrages and 430 miles of canals.

By participating in the IBDF, the United States is helping to provide arable land for over 50 million people in Pakistan and India, and at the same time to remove one of the principal sources of friction between the two countries.

The Indus program is now in its seventh year. Construction was estimated to be 75 percent complete by the end of 1966 and the last two major contracts were let in January 1967. Filling of the Mangla Dam reservoir, largest of the Indus projects, began in February 1967.

Foreign exchange commitments to the Indus Fund total $947.9 million, including $173.8 million from India under the Indus Waters Treaty and $774.1 million from the members of the Indus Fund (the World Bank, the United States, Australia, Canada, Germany, New Zealand, the United Kingdom and Pakistan). U.S. foreign exchange commitments total $416.8 million, including $295.6 million in grants and $121.2 million in loans, and represent 44 percent of total foreign exchange commitments. In addition, the United States has contributed Pakistani rupees equivalent to $235 million, while Pakistan is meeting all other rupee requirements, which are expected to exceed $290 million equivalent.

On an overall basis, some 54 percent of the estimated foreign exchange costs of contracts under the Indus Fund have been let to U.S. firms for construction or consultant activities.

The IBDF agreement provides that contributors make payments to the Fund upon semiannual call from the World Bank. Based on estimates of total payments which will be due contractors, the World Bank plans to call for $25.5 million in U.S. dollar grant contributions during fiscal 1968.

UN Technical and Operational Assistance to the Congo

Through the international recruitment and placement of personnel with the necessary skills and language competence, the UN Technical and Operational Assistance Program for the Congo (Kinshasa) helps meet the country's critical need for technical advisers and operational experts. The program serves the U.S. objective of strengthening a moderate central government's capabilities for maintaining internal security, political stability and a reasonable rate of development.

The U.S. proposes to contribute $3 million in fiscal 1968 to the UN Fund for the Congo. The UN plans to provide 284 experts to give technical and operational assistance to Congolese agriculture, public works, aviation, public administration, public finance, advisory and public health services, community development and other programs.

UN Food and Agriculture Organization—World Food Program

The objective of the World Food Program is to utilize foodstuffs on a multilateral basis to promote economic and social development. The major portion of its resources is used for development projects in such fields as land reclamation and development, colonization and land settlement, promotion of animal husbandry, and community development using volunteer labor. Other projects have involved railroad and road construction, feeding in educational institutions, construction of public housing, afforestation, and industry and mining.

The program has also conducted 44 emergency relief operations, of which the majority have been for assistance following natural disasters while the remainder have been designed to cope with the effects of protracted drought.

The fiscal year 1968 request for this program is $2 million, representing the third and last installment of the United States' second three-year pledge. Taking into account the amounts appropriated for fiscal years 1966 and 1967, this will meet the full $6 million cash component pledged by the United States in January 1966. The United States also pledged up to $92 million in agricultural commodities and shipping services estimated at $32.0 million to move the commodities to their destinations. The commodity pledge included a provision that the U.S. share be matched on a 50/50

basis by other contributors; the U.S. cash pledge may not exceed 40 percent of total cash contributions. The commodities and shipping services pledged by the United States are made available under Title II of Public Law 480.

Special Contributions for Vietnam

Despite the difficulties involved in carrying out peacetime development projects in a war-torn country, the UN family has increased its assistance to Vietnam in the past year. The UN Development Program (UNDP) has approved establishment of a national technical center costing $1.5 million which is about to begin operations, and a four-year fisheries development project financed by $1.1 million from the UNDP and a contribution of $336,000 by the Vietnamese Government. In November 1966, the UNDP also approved a two-year technical assistance program of $724,000 for Vietnam. UNICEF also is planning increased allocations to Vietnam projects in 1967.

The UN and its agencies now provide more than $1 million annually in assistance to Vietnam from their regular budgets in addition to expenditures on special projects.

The UN specialized agencies operating in Vietnam have expressed a willingness to enter into funds-in-trust arrangements relating to specific projects. The Netherlands has arranged for the UN to establish a social welfare training center financed by Netherlands funds-in-trust, and is negotiating a similar arrangement for an education project. Together with the Netherlands, the United States is negotiating to supply funds-in-trust for expanding the UN-sponsored fisheries development project.

For fiscal 1968, a U.S. contribution of $2 million is proposed to enable UN agencies to provide assistance to Vietnam beyond that which they can finance from their regular budgets.

International Atomic Energy Agency—Operational Program

The International Atomic Energy Agency's Operational Program is principally concerned with the orderly promotion and development of programs for the peaceful uses of atomic energy in the developing countries. The program consists primarily of the award of fellowships for training in nuclear science and the provision of experts and equipment for technical assistance projects.

Voluntary cash contributions for support of the operational program have averaged approximately $1.3 million in recent years. Prior to 1965, the United States matched, on a 50/50 basis, the cash contributions of other donors. In 1965, the United States reduced its cash pledge to 45 percent, in 1966 to 40 percent, and in 1967 to 37.5 percent.

In 1968 the United States plans to pledge 35 percent of total cash contributions or an estimated $600,000. In addition, it will continue to make available fellowships for the training of Agency nominees in the United States, the services of U.S. experts, costs associated with participation in

technical meetings, and small equipment grants for the Agency's technical assistance projects and laboratories. Approximately $400,000 will be required to provide these contributions, bringing the total estimated requirement for fiscal 1968 to $1 million.

World Health Organization—Cancer Research

U.S. contributions to the International Agency for Research on Cancer are designed to accelerate efforts to control the disease. The Agency, established in 1965, collects and disseminates information on the epidemiology of cancer, on cancer research and on the causes and prevention of cancer; prepares plans for cancer research; and trains research personnel. The Agency may also carry out special projects, such as pilot demonstrations of cancer prevention, using funds contributed by governments, foundations and other donors.

Membership in the Agency is open to all World Health Organization members who wish to participate and who will make an annual contribution of $150,000. Thus far, eight countries—the United States, the United Kingdom, Israel, Italy, the Republic of Germany, France, Australia and the U.S.S.R.—have joined.

A U.S. contribution of $150,000 is proposed for fiscal 1968 to help meet the Agency's calendar year 1967 expenses.

UN Institute for Training and Research

The UN Institute for Training and Research (UNITAR) trains developing country personnel for service with the UN or with their own national governments, provides advanced training for personnel of the UN and its specialized agencies, and undertakes research and operations analysis on special problems arising in the work of the UN, its specialized agencies and special voluntary programs.

UNITAR was established in March 1965. As of August 1966, nearly 70 countries and nongovernmental sources had pledged $3,874,000 for the first five years of UNITAR's activities and had made payments on these pledges totaling $1,700,000. A United States contribution of $400,000 to UNITAR's regular budget is proposed for fiscal 1968, contingent on the U.S. share not exceeding 40 percent of total contributions by all governments. It is also proposed that the United States provide $100,000 for the costs of fellowships established in memory of Ambassador Adlai E. Stevenson. The fellowships enable selected young men and women to obtain practical, professional experience in the major areas of UN activity.

UN Programs for South Africans

Voluntary contributions of up to $150,000 to UN programs for South Africans are proposed. Such contributions would represent a means of providing assistance to victims of South Africa's policy of apartheid and would

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clearly demonstrate U.S. interest in constructive action on South African problems.

In 1964 the UN Security Council authorized the Secretary-General to establish an educational and training program for South Africans who had fled from their country. A pilot program was established in 1965 which was financed by contributions of $237,000 from several countries, including $75,000 from the United States. Under this program, scholarships were granted to 59 South Africans, most of whom are studying in the United Kingdom. The program needs additional funds if it is to meet the needs of young South Africans.

The UN General Assembly in 1965 established a Trust Fund for South Africa which would provide legal assistance to persons charged under discriminatory and repressive legislation in South Africa, relief for dependents of persons persecuted by the Government of South Africa for acts arising from opposition to the policies of apartheid, education of prisoners, their children and other dependents, and relief for refugees from South Africa. Thirty-two nations have already pledged about $275,000 to the Trust Fund. It is proposed that the United States pledge a contribution to the Fund.

UN Relief and Works Agency for Palestine Refugees

The United Nations Relief and Works Agency (UNRWA) helps meet the minimum food, shelter, health and educational needs of the Arab refugee population in Lebanon, Syria, Jordan and the Gaza Strip. The United States supports this humanitarian objective and considers such assistance necessary to prevent the development of situations prejudicial to U.S. basic interests in the Near East.

Of the approximately 1,318,000 refugees registered by UNRWA, about 1,209,000 are entitled to such services as medical care and children's education. About 861,000 refugees are being fed, 518,000 are housed in Agency-operated camps, and 235,000 are being educated.

UNRWA's budget for 1967 totals $39.3 million, including $17.5 million for relief services, $16.6 million for health services, and $5.2 million for education. Based upon recent pledges and estimates of additional pledges that may be made, UNRWA foresees a budget deficit of about $4 million in 1967. The UN General Assembly has urgently requested all governments to make the most generous contributions possible to meet this expected deficit.

A U.S. contribution of $22.2 million is proposed for fiscal year 1967, including a cash contribution of $13.3 million and commodities totaling $8.9 million. As in previous years, the United States will attempt to maximize the proportion of its pledge contributed in the form of surplus agricultural commodities and U.S.-owned foreign currencies. In any event, the U.S. contribution will not exceed 70 percent of total receipts from all governments.

Because of tense conditions in the area, it is important to U.S. interests that the requested cash contribution of $13.3 million be made available in fiscal 1968.

The Commissioner-General of UNRWA has assured contributors that their contributions will not be used to furnish rations to recruits of the Palestine Liberation Army, a matter about which the United States has expressed concern.

UN Peacekeeping Operations

The UN Emergency Force (UNEF), established in 1956, acts as a border patrol and buffer force on the armistice line and international frontier between Israel and the United Arab Republic. It serves a major UN and U.S. objective of helping keep the peace between the two states and contributing to stability in the area.

The force, composed of troops from seven countries, has maintained an effective buffer and kept border violations and incidents to a minimum. However, the situation remains tense, and it is important that this peacekeeping force be continued if serious fighting is not to erupt.

A UN survey in November 1965 resulted in a reduction of the peacekeeping force from 4,581 men in December 1965 to 3,959 men in July 1966. The UN was able to reduce troop strength to 3,400 as of January 1967, but the Secretary-General has warned that any further reduction "would make it impossible for the force to carry on as a peace force within its present functions and responsibilities."

The 1967 UNEF costs of $14 million were apportioned by the UN General Assembly among the members, with approximately 5 percent assigned to the developing countries and the balance to the economically developed members. The developed countries also were apportioned an additional 25 percent ($3,315,000) to meet reserve requirements. The total U.S. share of the costs is approximately $6,385,000. This amount is requested as part of the fiscal 1968 appropriation for voluntary contributions.

The costs of maintaining the UN peacekeeping force in Cyprus are met by voluntary contributions, by the Government of Cyprus, and by governments providing troop contingents. The proposed AID appropriation for fiscal 1968 does not specifically request funds for support of the Cyprus peacekeeping operation. If the UN Security Council decides to extend the life of the force, any U.S. pledges in the fiscal year will be financed by reprogramming available funds or by drawing upon the Contingency Fund.

SUPPORT FOR AMERICAN-SPONSORED SCHOOLS AND HOSPITALS ABROAD

AID helps American-sponsored schools and hospitals abroad contribute to the economic and social development of the countries and regions in which they are located. These American-sponsored institutions train teachers, ad-

ministrators, agriculturists, businessmen, doctors, and other specialists essential to a modern society. Many of their graduates are leaders in the political and cultural life of their countries. For example, seven graduates of the American University of Beirut, Lebanon, have subsequently served as premiers of their countries. Other graduates have become ambassadors and cabinet members.

AID is requesting an appropriation of $13,900,000 for support of these American-sponsored institutions in fiscal 1968. Together with an estimated carryover of $129,000 from fiscal 1967, the new funds will support a total program of $14,029,000.

The proposed fiscal 1968 program is $3,029,000 higher than the fiscal 1967 program because of increased support for Robert College, Turkey, and the American University of Beirut, and a planned $3,400,000 capital improvement grant to the latter university for continued construction of a medical school. Increased support to the two universities will be offset by a saving of $2,340,000 resulting from termination of assistance to four institutions which are receiving AID help in fiscal 1967.

PRE-INVESTMENT ASSISTANCE

To assist and encourage U.S. investment in the developing countries, AID has prepared a *Catalog of Investment Information and Opportunities.* It covers over 1,600 data and feasibility studies as well as current opportunities for joint ventures with developing country investors. A special supplement on Southeast Asia was issued in July 1966. In addition, 250 *Industry Profiles,* each giving basic information on establishment of small or medium-sized plants in a specific industry, are distributed.

AID encourages prospective investors to make pre-investment feasibility and market studies in developing countries through an arrangement permitting it to pay for up to half such a survey's cost if the investment studied is not made. Of 111 surveys completed by April 1, 1967, there were 31 that resulted in planned investments totaling $70 million. Cost, in terms of appropriated funds obligated to pay the AID share of surveys that did not lead to an investment decision, was $1 for each $90 in investment.

AID is requesting an authorization of $4.8 million for the Investment Survey Program, the *Catalog of Investment Information and Opportunities* and the *Industry Profiles* service, to be available until expended. The requested appropriation for fiscal 1968 is $2.2 million.

ADMINISTRATIVE EXPENSES—AID

An appropriation of $59,325,000 is requested for AID administrative expenses in fiscal 1968. This is the minimum amount needed to maintain AID operations at the most effective level. The carryover of funds from the

current fiscal year is expected to be $750,000. Therefore, the total available to meet administrative costs in fiscal 1968 will be $60,075,000.

Administrative funds are used for the direction and supervision of the AID program in Washington and overseas. This includes establishing program policies and standards; planning, supervising and reviewing the implementation of these policies; evaluating programs and projects; and providing such key management services as accounting, inspection, auditing, personnel administration, management analysis and administrative support.

The amount required for administrative expenses in fiscal 1968 is $2,040,000 higher than the fiscal 1967 program. The increase results from:

- Higher costs over which AID has no control, such as rises in overseas wage and price levels, periodic pay raises, and the pay raise for federal employees enacted in 1966;
- The need to expand certain AID training programs and increase contracting for auditing and computer programming;
- A required increase in overseas employment, chiefly to strengthen AID's audit capability;
- An urgent need for a relatively small number of additional Washington employees to carry out programs for the War on Hunger, to compile data on small business programs, and to refine an integrated planning, programming and budgeting system in accordance with a government-wide directive from the President.

The fiscal 1968 request does not include funds to support the expanded Vietnam effort beyond the level originally contemplated for fiscal 1966. The request assumes that Congress will continue authority for AID to transfer Supporting Assistance funds to the Administrative Expense account to meet increased administrative needs of the Vietnam assistance program.

ADMINISTRATIVE AND OTHER EXPENSES—DEPARTMENT OF STATE

The Department of State is responsible for two activities involving U.S. foreign assistance—the U.S. Missions to NATO and to the Organization for Economic Cooperation and Development (OECD), and the Mutual Defense Control Act (Battle Act).

The U.S. Missions are staffed by personnel from the Departments of State, Defense and Treasury, AID and USIA. Their primary objective is to plan and provide for the defense of the North Atlantic Treaty area and to coordinate economic policies and programs.

The Battle Act program is directly related to the over-all defense efforts of the United States. Its objective is to prohibit the shipment of strategic commodities to the Sino-Soviet bloc.

An appropriation of $3.4 million is requested for fiscal 1968 to administer these two activities. This is $72,000 more than the amount available in fiscal 1967, with the increase being needed to provide for within-grade salary increases, overseas wage and price increases and higher base pay schedules. Of the total, $2,380,000 is to cover the costs of the Department of State element of the U.S. Missions (NATO and OECD). The other $1,020,000 is to cover the costs of the State Department in carrying out its responsibilities under the Battle Act.

PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES

Program support and interregional activities, carried out largely in the United States, provide direct support for AID field programs. These activities are financed from several appropriations depending on the services rendered, and are charged on a worldwide basis since it would be difficult to relate them precisely to AID country or regional programs.

Program support includes, for example, maintenance of a Washington staff of contract officers, technicians, and research personnel to support field operations; reimbursement of the Department of State for communications and other services provided AID, and pilot or demonstration projects to support country programs in the fields of education, health, nutrition and malaria eradication.

An important AID interregional activity is support for the people-to-people relief and rehabilitation programs of registered American voluntary agencies. AID pays the ocean freight costs of supplies and excess federal property donated to these agencies. The program supports the activities of 36 voluntary agencies and the American Red Cross in 93 countries and areas.

Other AID activities include the coordination of U.S. assistance programs with other free world foreign aid programs; support for child-feeding programs through which Food for Freedom benefits approximately 82 million children in 91 countries; limited financial support for expanding the program of the International Executive Service Corps, whose members—experienced American businessmen—serve as advisors to business firms in developing countries, and the development of cooperatives overseas through the services of eight major U.S. organizations, such as the Cooperative League of the U.S.A. and the National Rural Electric Cooperative Association.

MILITARY ASSISTANCE

The Department of Defense has operational responsibility for the Military Assistance Program, and a detailed description and justification of the program is presented separately by that department. The presentation here

therefore is confined to the program's broad purposes and to the amount of the appropriations request.

The major purposes of the Military Assistance Program are:

- To help strengthen selected allied and friendly nations against external military threats;
- To help developing nations build security against internal violence so that their national development may continue;
- To support U.S. access to facilities in strategic areas.

The President has requested new obligational authority of $596 million for Military Assistance in fiscal 1968. Together with recoupments and reappropriations, this will provide a total of $681 million for the Military Assistance Program in the fiscal year.

The proposed program for fiscal 1968 does not include funds for Laos, Thailand, NATO Infrastructure, and International Military Headquarters and Agencies. These programs have been transferred to the Department of Defense budget.

XIII. APPENDIX

PRESIDENT'S MESSAGE ON FOREIGN AID

To the Congress of the United States:

Twenty years ago, President Truman set forth the basic proposition underlying the foreign aid program when he told the Congress:

> "I believe that we must assist free peoples to work out their own destinies in their own way. I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes."

This judgment was shared by Presidents Eisenhower and Kennedy and by every Congress since the 79th in 1946. It is my judgment today. I believe it is the judgment of most Americans.

Our commitment to assist the economic growth and security of developing nations is grounded in the hard realities of the post-war world. We know that want is the enemy of peace and hopelessness the mother of violence.

We know that:

> —in the long run, the wealthy nations cannot survive as islands of abundance in a world of hunger, sickness and despair.
>
> —the threat to our security posed by internal subversion and insurgency cannot be countered by withdrawal, isolation or indifference.
>
> —men—acting together—have the power to shape their destiny. Around the world, from Mexico to Greece to Taiwan, we have seen the energy and determination of the emerging peoples transform our aid into the seeds of prosperity.
>
> —aboard, as at home, the true national interest of the American people goes hand in hand with their sense of freedom, justice and compassion.

Precisely because foreign assistance programs are so vital to our national interest, they must reflect the circumstances of the late sixties, not those of the past. They must respond to the ideas which move men in the emerging

nations today. They must draw upon the lessons of experience. They must take account of the growing wealth of other advanced countries.

The proposals in this message reflect the experience of our aid activities over two decades. They emphasize the six guiding principles on which our programs must be based:

1. *Self-help*—nations develop primarily through their own efforts. Our programs can only be supplements, not substitutes. This is the overriding principle.

2. *Multilateralism*—every advanced nation has a duty to contribute its share of the cost.

3. *Regionalism*—the future of many countries depends upon sound development of resources shared with their neighbors.

4. *Agriculture, health and education*—these key sectors are the critical elements of advancement everywhere in the underdeveloped world.

5. *Balance of payments*—we cannot help others grow unless the American dollar is strong and stable.

6. *Efficient administration*—every American citizen is entitled to know that his tax dollar is spent wisely.

New Directions

To carry out these principles, I propose:

—*A new Foreign Assistance Act,* stating in clear language our objectives, our standards, and our program techniques.

—*A statutory National Advisory Committee on Self-Help,* to advise the Congress, the President, the Secretary of State, and the AID Administrator on how effectively recipient nations are mobilizing their own resources under the self-help criteria of the Act.

—*A statutory objective that at least 85 percent of our development loan funds be spent in a regional or multilateral framework.*

—*More than $1 billion in programs to improve agriculture, education and health,* a 25 percent increase over last year.

—*A shift in emphasis in our aid policy in Africa,* to concentrate our help increasingly on regional and multinational projects.

—*Sympathetic consideration of a U.S. contribution to a new special fund of the African Development Bank.*

—*A $200 million U.S. contribution to new special funds of the Asian Development Bank,* in accord with the rec-

ommendations of the Black mission, headed by Mr. Eugene Black, my Special Representative on Asian Development.

—*A reorganization of the Agency for International Development,* to better carry on the War on Hunger and to promote private investment and the growth of private enterprise in the less developed world.

My proposals for programs authorized by the Foreign Assistance Act in fiscal 1968 will require total appropriations of slightly over $3.1 billion. Of this, some $2.5 billion will be devoted to economic aid. Almost $600 million will be for military assistance. Funds for the regional development banks would be authorized by separate legislation.

The Foreign Assistance Act of 1967

Foreign aid now rests on a legislative foundation enacted in 1961. This pathfinding statute has served the nation well. But the experience we have gathered over the past several years should now be codified in a new law.

I propose the Foreign Assistance Act of 1967.

This Act will contain a clear statement of the philosophy which underlies our programs and the criteria to be used in this Administration. To provide the continuity needed for sound management, it will contain authorizations covering two years. Most important, it will provide a framework for each of the basic thrusts of our aid policy.

1. Self-Help

Self-help is the lifeblood of economic development. No sustained progress is possible without it. Aid provided as a substitute is aid wasted.

Waste in a luxury none of us can afford. The only obligation tied to our aid is the recipient's obligation to itself—to mobilize its own resources as efficiently as possible. I will not ask any American citizen to contribute his tax dollars to support any country which does not meet this test.

Accordingly, *the Act will make it clear that the development job is primarily the responsibility of the developing countries themselves.* In no case will the United States undertake to do for any country what it should do for itself. Nor will we assist in any venture which we believe has received less than full support from the recipient country. The United States will insist on the general economic policies necessary to make our aid effective.

We are now applying strict and effective self-help standards. The results are evident in the fact that, on the average, each citizen in the major aid-receiving countries is saving one of every eight dollars he earns. These savings become investments. For every dollar the United States and other donors provide, these local sources invest ten dollars.

Still, there is an urgent need for a permanent, nonpartisan, public body to evaluate self-help performance.

Thus, *the Act I propose will authorize the President to establish a National Advisory Committee on Self-Help.* This Committee will consist of members from both parties, from the business community, from universities and from other walks of life. It will review and evaluate our aid programs in as many countries as it sees fit. It will examine our programs to see whether the recipients are extending their best efforts and whether we are making the best possible use of our aid. Its findings will be available to the Congress.

2. *Multilateralism and Burden-Sharing*

Development is a world problem. No single country has all of the resources required. Equity demands that no single country be asked to carry the bulk of the load.

I propose that the Act set as an objective that 85 percent of our development loans be undertaken in a regional or multilateral framework.

This action fits the trend of recent years, as advanced nations have increasingly accepted the responsibilities associated with their growing wealth. The combined value of our economic and food aid is less than seven-tenths of one percent of our national income, only slightly more than the average for all advanced countries. We devote smaller shares to foreign assistance than such countries as France and Belgium.

But these figures do not tell the whole story. Our defense expenditures far exceed those of all other free nations combined and serve their common interest. This burden too must be counted in the balance.

Thus, we must redouble our efforts to get other donors to enlarge their commitments.

3. *Regionalism*

Resources know no national boundaries. Rivers flow through many countries, transportation and communication networks serve different peoples, sources of electric power must be shared by neighbors. Economic advance in every part of the world has required joint enterprises to develop shared sources of wealth.

These facts underlie the growing movement toward regional cooperation:

> —The Alliance for Progress has transformed the inter-American system of institutions into a reliable and dynamic engine of change.
>
> —Asian initiatives have created the framework for cooperation of all kinds. Such institutions as the Asian and Pacific Council and the Asian Development Bank are clear evidence of the new will to press forward.

I propose that the Act state that the United States will encourage regional economic development to the maximum extent consistent with the economic and political realities in each region.

I propose three steps to carry out this policy:

—First, in most African countries, we will gradually shift to cooperative projects which involve more than one donor or more than one recipient.

—Second, we will seek an appropriate means of responding to the recent request of the African Development Bank for U.S. participation in a special fund to finance worthy projects which are beyond the means of the Bank's ordinary capital.

—Third, we will respond favorably to the request for special funds for the Asian Development Bank. Preliminary explorations suggest a U.S. share of $200 million, to be contributed over a number of years with matching arrangements and balance of payments safeguards.

These proposals spring from a philosophy of pragmatic regionalism. They reflect the facts of economic life.

Political unity is neither required nor expected. But the resources available for development are too scarce to scatter among many countries when greater promise lies in joint action. We must take full advantage of the benefits of cooperation.

4. Agriculture, Health and Education

The fundamentals of a decent life are sufficient food, freedom from disease, and an opportunity to absorb as much knowledge as individual capacities permit.

These are the first goals of all societies. They must be the first objects of our aid.

I propose that the Act establish agriculture, health and education as our primary concerns and that investment in these areas be substantially expanded.

I propose that our investment in:

—agriculture rise from $504 million last year to $668 million in 1968.

—education rise from $166 million to $228 million.

—health rise from $192 million to $202 million.

In particular, we will wage War on Hunger. Together, the world must find ways to bring food production and population growth into balance. My proposals make clear our determination to help expand food supplies. We must be equally ready to assist countries which decide to undertake voluntarily population programs.

5. *Balance of Payments*

Our foreign assistance programs rest on the basic strength of the dollar and our balance of payments. This Administration will continue to see that our aid programs have the least possible adverse effect on our balance of payments.

Almost 90 percent of our economic assistance and over 95 percent of our military assistance is now spent in the United States. These programs serve to expand U.S. trade abroad. They help develop new trading patterns.

6. *Efficient Administration*

The Agency for International Development is a sound, well-run instrument of public policy. But, like all arms of government, AID can be improved. It can add further to its economy record—a record which includes $33 million in cost reduction last year alone, and a 20 percent cut in personnel—apart from Southeast Asia—since 1963.

I am establishing two new offices in AID:

—An Office of the War on Hunger to consolidate all AID activities relating to hunger, population problems and nutrition.

—An Office of Private Resources to concentrate on marshalling private investment and the expansion of private sectors in the less-developed world—the best long-term route to rapid growth.

Both of these steps are consolidations—they will require no new appropriations or personnel. They will focus the attention and energy of the Agency directly upon two priority areas. They are significant steps forward.

Economic Assistance

Latin America

For Latin America, I recommend an economic aid program of $624 million.

This amount is clearly justified by our own interests and the recent performance of our Latin American partners. The program I propose is lean and concentrated. Nearly 70 percent of it will be committed in four countries—Brazil, Colombia, Peru and Chile. In each case, we will make certain that the amount actually spent is in accord with clear needs and meets the strict self-help criteria of the Act.

The outlook for a solid return from these expenditures is promising:

—*Brazil* shows greater economic dynamism than at any time in her recent history. She has forced inflation down from the 1964 high of 140 percent to 40 percent—still far

too high, but an enormous improvement. Her balance of payments situation is well under control. Agricultural production has been increased. Per capita income is up. In general, the economic situation is more hopeful than the most favorable predictions of three years ago.

—*Peru* continues its steady economic climb. Per capita income last year was $378, compared to $325 five years before. The critical job now is to bring more people into the economic mainstream, while further stimulating the developed coastal areas. U.S. contributions will be heavy in the areas of agriculture and education.

—In *Chile,* the favorable copper market will make possible a reduction in our aid. We will concentrate our help in the crucial rural area to increase agricultural production and exports.

—In *Colombia,* economic trends are also encouraging. Our contributions will be made through a group of donors led by the World Bank. We will concentrate on agriculture and education.

—Our program for *Central America—Nicaragua, El Salvador, Guatemala, Costa Rica,* and *Honduras*—is tailored to support the Central American Common Market. This Market is one of the most promising innovations in the developing world. The spirit it reflects has already increased trade within the Central America region by 400 percent over the past five years. We will make modest contributions to the Central American Integration Fund to continue and accelerate this pace.

—The balance of my request is largely for the *Dominican Republic* and *Panama.* It is essential that we maintain strong programs in these countries, although they will cost slightly less than in the past.

The vision and hard work of 450 million people in this hemisphere have made the Alliance for Progress into one of the great tools for human betterment. Its success is by no means assured. There will be disappointments as well as achievements along the way. But it is a vehicle for the hopes and energies of a continent. The program I propose will carry it forward.

Meetings among the governments of the Western Hemisphere during the year may produce further proposals, such as replenishment of the resources of the Inter-American Development Bank. Where these proposals merit our consideration and support and require action by the Congress, I will submit my recommendations to you at the appropriate time.

Near East–South Asia

For the Near East-South Asia, I recommend a program of $758 million. This region provides the harshest test of free institutions:

—Nowhere else in the free world are there so many people: as many as the combined populations of North and South America and Western Europe.

—Nowhere else do so many people live in such dire poverty: per capita income for nine out of every ten persons is under $100 per year.

—Nowhere else are divisive forces so poised to take advantage of any misstep.

Several advanced nations have banded together, under the leadership of the World Bank, to form Aid Consortia for India and Pakistan. A similar group has been formed for Turkey, chaired by the Organization for Economic Cooperation and Development. These groups determine the share each member will contribute and provide a forum for continuing discussions with recipient countries. They have served the interests of all parties.

In my Message on Food for India, I proposed that food and related aid be added to the agenda of the consortium for India as an additional area of assistance in which all donors should join. We will exert the full extent of our influence to insure that this consortium becomes the primary vehicle for all aspects of development aid to India—from grants of funds to evaluation of performance.

Despite the shadow of famine and the ever-present danger of renewed frictions, the situation in the three countries—India, Pakistan and Turkey—which will receive 91 percent of our aid to the Near East-South Asia gives reason for hope:

—*India* is trying to regain the lead in the race between her expanding population and her food supply. She plans to double her outlays for agriculture in the next five years and to quadruple her voluntary population program. India has increased fertilizer purchases by 85 percent and has started crash programs in farmland development. She has begun campaigns to increase supplies of better seeds and pesticides. But Indian performance is not confined to agriculture. In early 1966 she liberalized her system of import controls and devalued her currency. All advanced nations must come to her aid if these hard-won opportunities are to be realized.

—*Pakistan* has an outstanding economic record. Her future is brighter still. From 1960 to 1965, her gross national product grew at an average annual rate of 5.8 percent compared to 2.5 percent previously; agricultural production grew at an average annual rate of

3.5 percent compared to 1.6 percent previously; local private investment grew by 54 percent; and total private investment was 63 percent over planned targets.

—*Turkey* also has a remarkable record. We and other Western nations are determined to help Turkey meet its goal of self-sustaining economic growth by 1973. She is already well on her way. In 1966, her gross national product grew by 8.3 percent, industry by 9.5 percent, agricultural production by 11 percent, and the use of fertilizer by 40 percent. The percentage of children of school age enrolled in primary schools increased to almost 80 percent.

If it cannot be demonstrated that hard work, coupled with relatively modest amounts of our aid, will produce better lives for the countless millions of this region, our cause will surely fail. The programs I propose will enable us to continue meeting this challenge.

Africa

For Africa, I recommend a program of $195 million.

Africa is undergoing the historic growing pains of attaining stable independence. Thirty-five of her thirty-nine nations have gained their freedom since World War II, many in the past five years. The inevitable strains are evident in the headlines of the world's newspapers.

The most hopeful sign of growing African maturity is the increased support for cooperative economic enterprises. With 14 countries of less than 5 million people each, this attitude is essential for progress.

Our AID policy toward Africa will:

—encourage the African activities of the World Bank and its affiliates.

—direct a greater part of our resources into projects and programs which involve more than one African country.

—seek new breakthroughs in private investment in Africa, particularly the current efforts by private American banks and other financial institutions.

East Asia

For East Asia, I recommend a program of $812 million.

Nearly 85 percent of our assistance to this region is directly or indirectly related to our effort to block Communist aggression.

My recent visit to Asia confirmed my deep conviction that foreign assistance funds for Vietnam and surrounding countries are just as important as military appropriations. They are vital to a successful war effort. They permit us to build for the future.

Most of these funds—about $650 million—will be used in Vietnam, Laos, and Thailand. The $550 million planned for Vietnam is indispensable

to military success, economic stability and continued political progress. It will stimulate and support measures to bind the people and government of South Vietnam together in a common cause. It will help to begin the task of reconstruction and development. It will relieve war-time suffering for millions of Vietnamese.

In Laos and Thailand, these funds will finance economic development and security which will assure that armed conflict will not engulf all of Southeast Asia.

Our assistance to Thailand will be channelled through a new consultative group of thirteen donors, chaired by the World Bank. In Laos, five other countries will join the U.S. with significant contributions.

Elsewhere in free Asia, the tide of history clearly favors progress:

> —*In Korea,* the economy is now growing at the rapid annual rate of 8 percent. Industrial production is rising at a 14 percent rate annually, agricultural production at a 6 percent rate. In the few short years since the Korean War, the Republic of South Korea has become strong enough not only to maintain its internal advance, but to help in the defense of freedom in Vietnam.
>
> —*In Indonesia,* the new government has committed itself to a program of economic rehabilitation and recovery. We are joining with other European and Asian nations to provide urgently needed help to the stricken Indonesian economy. We are also participating in arrangements with other nations to reschedule Indonesian debts.

The road ahead in East Asia is long and dangerous. But these accomplishments are hopeful signs. We will encourage the vital and progressive spirit that has stimulated them.

Military Assistance

For military assistance, I recommend appropriations of $596 million.

This is the smallest request since the program began in 1950. In part, this fact reflects transfer of appropriations for military assistance for Laos, Thailand, NATO Infrastructure and international military headquarters to the budget of the Department of Defense.

But this request also represents a substantial reduction. Military assistance outside Southeast Asia is now only 45 percent of what it was in 1960.

For the Near East-South Asia, I recommend $234 million, down 50 percent from 1963. Virtually all this will be used in Greece, Turkey and Iran, three countries which have shared the burden of mutual security for twenty years.

For East Asia, I recommend $282 million, almost entirely for Korea and Taiwan. We will use these funds to strengthen these outposts against further Communist expansion in Asia.

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For Latin America, I recommend $45.5 million, laregly for internal security and training.

For Africa, I recommend $31 million heavily concentrated in countries where we have major interests and where there are problems of internal security.

It is not the policy of the United States to provide sophisticated arms to countries which could better use their resources for more productive purposes.

It is the policy of the United States to help:

—where we are asked.

—where the threat of invasion or subversion is real.

—where the proposal is militarily and economically sound.

—where it is consistent with our interests and our limited means.

This will continue to be our policy.

The Challenge Ahead

The programs I propose represent the minimum contribution to mutual security and international development which we can safely make.

There are some who say that even this request should be foregone in view of needs at home and the costs of the struggle in Vietnam.

Nothing could be more short-sighted and self-defeating. This country—the wealthiest in human history—can well afford to devote less than seven-tenths of one percent of its national income to reduce the chances of future Vietnams.

Some would have us renege on our commitments to the developing countries on the ground that "charity begins at home."

To them let me emphasize that I have recommended no charity, nor have I suggested that we stray from home. The inescapable lesson of our century, inscribed in bood on a hundred beaches from Normandy to Vietnam, is that our home is this planet and our neighbors three billion strong.

Still others have grown weary of the long, hard struggle to bring the majority of the world's population out of the shadows of poverty and ignorance.

To them, let me say that we are dealing in decades with the residue of centuries. There is no shortcut. There is no easy way around. The only effective tools are ingenuity, capital and, above all, the will to succeed.

All of us sometimes find ourselves sympathizing with these complaints. All of us are subject to the frustrations, disappointments and shattered hopes which accompany a supporting role in a task which must fundamentally be performed by others. But, in the cold light of reason, our responsibility to ourselves and our children reasserts itself and we return to the task with renewed vigor.

I am confident that the American people have not lost the will and the dedication which have made them the most powerful and responsible nation on earth.

I am confident that they will go forward into the new era of world progress for which their past efforts have prepared the way.

I am confident that their vision will transcend the narrow horizons of those who yearn for a simpler age.

The proposals I offer today are the practical requirements of that vision. To do less would endanger all we have accomplished in the past two decades.

I know that this test shall not find us wanting.

LYNDON B. JOHNSON

THE WHITE HOUSE,
February 9, 1967.

TABLE No. 1.—U.S. Economic Assistance Under AID and Predecessor Agencies; Net Obligations and Loan Authorizations; Fiscal Year 1966 and Cumulative April 3, 1948–June 30, 1966

(Millions of Dollars)

Region and country	AID Economic Assistance					
	Fiscal year 1966			Cumulative fiscal years 1949–66[a]		
	Loans	Grants	Total	Loans	Grants	Total
Total all regions	1,218.8	1,324.6	2,543.3	11,099.3	31,474.2	42,573.5
Near East and South Asia	548.2	74.2	622.3	5,173.3	4,552.4	9,725.7
Afghanistan	2.8	6.9	9.7	27.6	160.6	188.2
Ceylon	7.5	.....	7.5	13.2	16.3	29.5
Cyprus	.....	.2	.2	.....	1.7	1.7
Greece	−18.4	.....	−18.4	99.0	962.3	1,061.3
India	299.4	9.5	308.8	2,400.3	394.1	2,794.5
Iran	4.9	2.0	6.9	223.1	380.7	603.8
Iraq	.....	(−*)	(−*)	.....	19.0	19.0
Israel	9.5	.....	9.5	235.4	278.0	513.4
Jordan	7.9	34.4	42.3	12.0	424.2	436.2
Lebanon	−.5	(*)	−.5	4.9	52.6	57.5
Nepal	−1.1	2.7	1.6	1.3	39.6	40.9
Pakistan	107.6	6.5	114.1	1,199.3	644.7	1,844.1
Saudi Arabia	.....	.....	.....	.....	27.4	27.4
Syrian Arab Republic	.....	−.1	−.1	18.2	1.6	19.8
Turkey	128.9	4.1	133.0	799.3	941.7	1,741.0
UAR (Egypt)	−.1	1.1	.9	103.1	69.2	172.2
Yemen	.....	2.7	2.7	.....	31.7	31.7
CENTO	.....	.4	.4	18.3	34.5	52.8
Regional	.....	3.7	3.7	18.3	72.4	90.7
Latin America	505.4	142.0	647.4	2,435.0	1,222.9	3,657.9
Argentina	−7.8	1.5	−6.3	129.6	11.8	141.3
Bolivia	21.8	5.7	27.5	95.5	217.3	312.8
Brazil	228.5	13.2	749.9	149.9	125.5	875.4
British Honduras	.....	.....	.....	.....	1.0	1.0
Chile	82.8	2.7	85.6	459.8	62.3	522.1
Colombia	70.5	4.9	75.4	283.6	41.4	325.0
Costa Rica	−.2	1.7	1.6	35.7	19.4	55.1
Cuba	.....	.....	.....	.....	2.8	2.8
Dominican Republic	39.5	54.3	93.8	82.1	121.6	203.7
Ecuador	11.0	4.1	15.1	81.9	40.7	122.5
El Salvador	1.6	1.6	3.3	30.0	22.0	52.1
Guatemala	−3.4	2.3	−1.1	21.3	88.5	109.8
Guyana	4.0	2.1	6.1	9.5	12.2	21.7
Haiti	(−*)	2.4	2.4	4.8	54.5	59.3
Honduras	9.9	2.0	11.9	31.5	26.2	57.7
Jamaica	.....	1.3	1.3	11.6	6.3	17.9
Mexico	.....	.2	.2	66.5	9.6	76.1
Nicaragua	14.3	1.7	16.0	42.3	19.0	61.2
Panama	10.3	1.4	11.7	47.8	32.9	80.7
Paraguay	9.4	2.2	11.6	27.6	27.6	55.2
Peru	12.7	5.6	18.3	82.6	51.4	134.0
Surinam	.....	(−*)	(−*)	1.0	3.0	4.0
Trinidad and Tobago	.....	4.9	4.9	.....	34.1	34.1
Uruguay	5.0	.8	5.8	22.8	6.6	29.4
Venezuela	.....	1.4	1.4	55.0	10.1	65.1

See footnotes at end of table.

TABLE No 1.—U.S. Economic Assistance Under AID and Predecessor Agencies; Net Obligations and Loan Authorizations; Fiscal Year 1966 and Cumulative April 3, 1948–June 30, 1966—Continued

(Millions of Dollars)

Region and country	AID Economic Assistance					
	Fiscal year 1966			Cumulative fiscal years 1949–66 [a]		
	Loans	Grants	Total	Loans	Grants	Total
Latin America—Continued						
ROCAP [b]	−4.5	3.5	−1.0	62.5	17.7	80.2
Regional [c]	.....	20.3	20.3	.....	157.5	157.5
East Asia, including Vietnam	76.6	761.5	838.0	780.2	8,582.7	9,363.0
Burma	(−*)	.3	.2	33.7	26.1	59.8
Cambodia	.....	−2.0	−2.0	.....	251.0	251.0
China, Republic of	−2.3	−.1	−2.4	217.7	1,155.0	1,372.7
Indochina, Undistributed	.....	.....	.....	.....	825.6	825.6
Indonesia	.....	−1.6	−1.6	58.1	220.0	278.1
Japan	.....	.....	.....	.....	21.8	21.8
Korea	79.0	64.9	143.9	230.8	2,416.3	2,647.1
Laos	.....	54.4	54.4	.....	469.3	469.3
Malaysia	.....	.....	.....	20.0	.....	20.0
Philippines	(−*)	2.6	2.6	47.5	229.2	276.7
Thailand	−.1	42.2	42.1	74.1	333.6	407.7
Vietnam	.....	584.4	584.4	88.0	2,580.9	2,668.9
Western Samoa	.....	.....	.....	.....	(*)	(*)
Regional	.....	16.4	16.4	10.3	54.0	64.3
Africa	88.9	80.6	169.5	813.1	1,039.3	1,852.4
Algeria	.....	(*)	(*)	.....	3.9	3.9
Botswana	.....	.1	.1	.....	.1	.1
Burundi	.....	(*)	(*)	.....	.6	.6
Cameroon	.6	.6	1.2	13.0	9.9	22.9
Central African Republic	.....	.5	.5	.....	3.3	3.3
Chad	.....	.8	.8	.....	3.8	3.8
Congo (Brazzaville)	.....	−.2	−.2	.....	1.8	1.8
Congo (Kinshasa)	19.0	.6	19.6	34.0	193.5	227.5
Dahomey	.....	1.2	1.2	.....	5.6	5.6
Ethiopia	29.9	4.6	34.6	66.4	72.9	139.3
Gabon	.....	.5	.5	.....	3.0	3.0
Gambia	.....	.1	.1	.....	.1	.1
Ghana	.....	1.5	1.5	82.0	10.5	92.5
Guinea	3.2	.1	3.2	8.6	35.0	43.6
Ivory Coast	.....	.3	.3	6.7	5.7	12.4
Kenya	.1	3.0	3.1	2.9	20.4	23.3
Liberia	1.4	5.9	7.3	49.7	61.2	110.9
Libya	−.1	(−*)	−.1	7.0	130.6	137.6
Malagasy Republic	.....	.9	.9	2.7	4.2	6.9
Malawi	.2	1.9	2.1	.2	6.8	7.0
Mali, Republic of	.....	1.1	1.1	3.2	10.6	13.8
Mauritania	.....	.1	.1	1.4	.5	1.9
Morocco	2.5	.6	3.1	272.7	20.0	292.6
Niger	.....	.6	.6	2.3	5.7	8.0
Nigeria	4.6	17.7	22.3	62.2	96.8	159.0

See footnotes at end of table.

TABLE No. 1.—U.S. Economic Assistance Under AID and Predecessor Agencies; Net Obligations and Loan Authorizations; Fiscal Year 1966 and Cumulative April 3, 1948–June 30, 1966—Continued

(Millions of Dollars)

Region and country	AID Economic Assistance					
	Fiscal year 1966			Cumulative fiscal years 1949–66 [a]		
	Loans	Grants	Total	Loans	Grants	Total
Africa—Continued						
Rwanda	.....	1.5	1.5	.....	2.3	2.3
Senegal	.....	.6	.6	1.3	7.8	9.1
Sierra Leone	.....	1.7	1.7	.....	8.9	8.9
Somali Republic	.....	4.0	4.0	6.2	36.2	42.4
Southern Rhodesia	.....	(—*)	(—*)	5.0	2.1	7.0
Sudan	10.5	2.7	13.2	26.3	58.0	84.3
Tanzania	—.3	1.4	1.1	12.6	10.1	22.7
Togo	.....	1.8	1.8	.....	5.4	5.4
Tunisia	15.0	2.0	17.0	133.2	112.2	245.4
Uganda	.6	1.8	2.5	5.4	12.6	18.1
Upper Volta	.....	.6	.6	.....	4.6	4.6
Zambia	.....	1.0	1.0	5.0	3.7	8.7
East Africa Regional	1.6	2.1	3.7	3.0	11.8	14.8
Regional USAID/ Africa	.....	.3	.3	.....	1.3	1.3
Regional	.....	16.7	16.7	.....	56.0	56.0
Europe	—.3	—.2	—.5	1,876.4	13,352.8	15,229.2
Austria	.....	.....	.....	.....	726.0	726.0
Belgium-Luxembourg	.....	.....	.....	68.0	492.0	560.0
Denmark	.....	.....	.....	33.3	247.5	280.8
France	.....	.....	.....	225.6	2,964.7	3,190.3
Germany (Fed. Rep.)	.....	.....	.....	216.9	1,255.5	1,472.4
Berlin	.....	.....	.....	.....	119.0	119.0
Iceland	.....	(—*)	(—*)	24.7	35.5	60.2
Ireland	.....	.....	.....	128.2	18.3	146.5
Italy	.....	.....	.....	95.6	1,554.7	1,650.3
Netherlands	.....	.....	.....	152.5	839.1	991.6
Norway	.....	.....	.....	39.2	237.6	276.8
Poland	.....	.....	.....	61.0	.....	61.0
Portugal	.....	.....	.....	36.1	15.0	51.1
Spain	—.1	—.2	—.4	99.1	477.6	576.7
Sweden	.....	.....	.....	20.4	86.5	106.9
United Kingdom	.....	.....	.....	384.8	3,450.1	3,834.9
Yugoslavia	—.2	(—*)	—.2	188.0	386.3	574.3
Regional	.....	.....	.....	103.0	447.6	550.6
Nonregional [d]	.....	266.6	266.6	21.4	2,724.0	2,745.4

NOTE: Detail may not add to totals due to rounding. Negative figures indicate that cancellations or reductions of previous years' obligations exceed new obligations for the year.

*Less than $50,000.

[a] Fiscal year 1949 includes 15 months, beginning with April 3, 1948.

[b] Regional programs in Central America, covering Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

[c] Includes $10.0 million in fiscal year 1966 and $40.1 million cumulative total from Alliance for Progress economic funds obligated for nonregional programs.

[d] Excludes $10.0 million in fiscal year 1966 and $40.1 million cumulative total from Alliance for Progress economic funds obligated for nonregional programs.

TABLE No. 2.—Non-AID Economic Programs by Region and Country; Net Obligations and Loan Authorizations; Fiscal Year 1966 and Cumulative July 1, 1945–June 30, 1966

(Millions of Dollars)

Region and country	Non-AID Economic Assistance			
	Fiscal year 1966		Cumulative fiscal years 1946–66	
	Food for Peace (Public Law 480)	Other non-AID programs [a]	Food for Peace (Public Law 480)	Other non-AID programs [b]
Total all regions	1,726.1	1,346.2	14,755.1	29,201.5
Near East and South Asia	823.9	28.2	7,080.5	1,927.5
Afghanistan	27.9	1.5	111.9	43.1
Ceylon	5.2	(*)	71.5	.5
Cyprus	.1	.....	17.3	.3
Greece	25.2	.....	259.4	574.4
India	595.4	8.9	3,327.1	647.6
Iran	11.6	2.6	122.8	130.2
Iraq	.1	5.0	23.7	13.4
Israel	27.4	.....	346.0	217.5
Jordan	2.0	.....	78.1	2.9
Lebanon	.....	.....	17.5	4.2
Nepal	8.6	1.5	52.8	4.1
Pakistan	22.3	5.2	1,112.3	115.6
Saudi Arabia	.....	.....	.8	19.2
Syrian Arab Republic	.4	.....	53.4	.....
Turkey	20.7	3.4	441.0	95.7
UAR (Egypt)	58.0	.....	902.2	58.9
Yemen	(*)	.....	10.1	.....
Regional	18.8	.....	132.7	.....
Latin America	202.2	538.1	[c] 1,549.4	5,447.1
Argentina	.....	34.1	18.2	506.9
Bolivia	6.2	2.6	72.3	60.5
Brazil	118.5	23.4	706.2	1,305.5
British Honduras	.1	.4	2.2	1.2
Chile	17.8	4.3	190.1	409.1
Colombia	20.5	8.6	144.9	275.5
Costa Rica	.9	11.3	6.6	85.4
Cuba	.....	.....	.7	38.0
Dominican Republic	10.2	9.0	54.9	44.4
Ecuador	1.8	11.9	33.0	79.2
El Salvador	2.6	3.4	13.0	38.2
Guatemala	.9	4.0	11.7	76.6
Guyana	1.2	.1	2.6	.1
Haiti	.7	3.0	14.2	31.0
Honduras	1.0	1.0	5.5	20.0
Jamaica	1.7	3.6	15.3	10.0
Mexico	.1	127.9	71.2	909.5
Nicaragua	1.2	3.1	6.6	56.5
Panama	.5	1.1	8.7	81.3
Paraguay	3.4	(*)	22.6	21.0
Peru	8.2	16.9	88.0	321.4
Surinam	.1	5.0	1.1	5.0

See footnotes at end of table.

TABLE No. 2.—Non-AID Economic Programs by Region and Country; Net Obligations and Loan Authorizations; Fiscal Year 1966 and Cumulative July 1, 1945–June 30, 1966—Continued

(Millions of Dollars)

Region and country	Non-AID Economic Assistance			
	Fiscal year 1966		Cumulative fiscal years 1946–66	
	Food for Peace (Public Law 480)	Other non-AID programs [a]	Food for Peace (Public Law 480)	Other non-AID programs [b]
Latin America—Continued				
Trinidad and Tobago	.1	4.0	.9	17.2
Uruguay	.5	.4	27.8	24.8
Venezuela	3.9	3.6	20.2	203.0
Other West Indies	.3	.2	3.2	.6
ROCAP [d]	.....	.....	.....	2.9
Regional	.1	255.0	1.4	822.2
East Asia, including Vietnam	292.6	134.2	2,203.4	5,792.4
Burma	.2	.....	35.8	5.0
Cambodia	(*)	.....	3.0	.....
China, Republic of	29.9	41.4	341.2	579.6
Hong Kong	1.3	.....	41.9	.....
Indonesia	22.0	.....	262.9	230.4
Japan	.....	52.4	170.4	2,707.6
Korea	104.1	.5	753.2	859.8
Laos	.4	.....	4.1	.....
Malaysia	1.0	5.2	10.2	13.5
Philippines	5.8	4.7	112.1	1,046.7
Ryukyu Islands	3.8	12.0	55.0	285.6
Thailand	.2	18.1	4.8	64.5
Vietnam	123.5	.....	403.4	.....
Regional	.4	.....	4.9	.....
Africa	141.8	77.0	976.8	589.5
Algeria	21.4	.....	175.5	.....
Botswana	4.3	.3	7.0	.3
Burundi	(*)	.....	6.1	.....
Cameroon	(*)	.9	.4	3.7
Central African Republic	.1	.....	.2	.....
Chad	.1	.3	1.4	.3
Congo (Brazzaville)	.....	.....	.2	.2
Congo (Kinshasa)	17.3	.....	105.7	.....
Dahomey	.1	.....	4.0	.....
Ethiopia	13.2	9.7	27.7	41.2
Gabon	(*)	.5	.1	2.7
Gambia	.2	.....	.5	.....
Ghana	7.0	.9	13.5	68.8
Guinea	1.9	1.1	28.1	3.0
Ivory Coast	1.9	.6	8.5	7.8
Kenya	17.2	1.5	31.3	2.6
Lesotho	.8	.....	1.1	.....
Liberia	1.1	2.6	5.0	119.5
Libya	.....	1.2	35.3	34.6
Malagasy Republic	.7	.....	2.7	.....
Malawi	(*)	1.5	.2	4.5

See footnotes at end of table.

TABLE No. 2.—Non-AID Economic Programs by Region and Country; Net Obligations and Loan Authorizations; Fiscal Year 1966 and Cumulative July 1, 1945–June 30, 1966—Continued

(Millions of Dollars)

Region and Country	Non-AID Economic Assistance			
	Fiscal year 1966		Cumulative fiscal years 1946–66	
	Food for Peace (Public Law 480)	Other non-AID programs [a]	Food for Peace (Public Law 480)	Other non-AID programs [b]
Africa—Continued				
Mali, Republic of	1.1	.....	2.0	.....
Mauritania	(*)	.1	1.0	.1
Morocco	32.4	26.8	224.7	29.5
Niger	.4	.9	.5	2.0
Nigeria	.6	6.4	3.0	27.0
Rwanda	2.3	.....	3.2	.....
Senegal	1.4	.9	5.8	3.6
Sierra Leone	1.9	1.8	6.5	17.1
Somali Republic	.2	.8	7.2	2.6
South Africa, Republic of	.....	.....	.....	150.6
Sudan	3.4	2.3	21.2	2.3
Tanzania	3.1	2.1	20.7	6.6
Togo	.2	1.2	3.5	3.1
Tunisia	1.7	1.6	213.2	9.5
Uganda	1.0	.3	2.2	.7
Upper Volta	.7	.....	2.1	.....
Zambia	.....	4.9	.1	27.3
East Africa Regional	3.6	.....	3.6	.....
Regional	.2	6.0	1.5	18.5
Europe	205.4	263.1	2,526.9	13,066.0
Albania	.....	.....	.....	20.4
Austria	.....	.....	81.0	391.0
Belgium-Luxembourg	.....	17.5	.2	189.4
Czechoslovakia	.....	.....	2.0	191.0
Denmark	.....	.....	.....	21.0
East Germany	.....	.....	.8	.....
Finland	.....	.6	30.7	103.7
France	.....	11.0	19.1	1,941.5
Germany (Federal Republic)	.....	2.5	140.3	2,433.2
Berlin	.....	.....	.....	12.9
Hungary	.....	.....	13.2	18.3
Iceland	2.2	5.5	17.3	6.5
Italy	4.7	60.0	463.8	1,666.4
Malta	1.2	.....	6.1	.....
Netherlands	.....	.....	(*)	238.2
Norway	.....	.....	(*)	75.0
Poland	6.3	.....	51.8	441.7
Portugal	3.0	2.9	75.8	62.0
Spain	45.8	77.0	470.5	348.5
Sweden	.....	.....	.....	2.1
United Kingdom	.....	86.1	.3	4,175.2
U.S.S.R.	.....	.....	.....	186.4
Yugoslavia	142.1	.....	1,153.3	440.7
Regional	.....	.....	.8	100.9

See footnotes at end of table.

TABLE No. 2.—Non-AID Economic Programs by Region and Country; Net Obligations and Loan Authorizations; Fiscal Year 1966 and Cumulative July 1, 1945–June 30, 1966—Continued

(Millions of Dollars)

Region and Country	Non-AID Economic Assistance			
	Fiscal year 1966		Cumulative fiscal years 1946–66	
	Food for Peace (Public Law 480)	Other non-AID programs [a]	Food for Peace (Public Law 480)	Other non-AID programs [b]
Oceania	[e].4	158.9	[e].7	297.8
Australia	.....	134.0	.....	149.4
New Zealand	.....	6.5	.....	23.0
Trust Territory of the Pacific Islands	.....	18.4	.....	125.4
Canada	.....	.....	.....	23.2
Nonregional	59.7	146.6	417.5	2,057.7

NOTE: Detail may not add to totals, due to rounding.

*Less than $50,000.

[a] Includes Export-Import Bank long-term loans, $793.0 million; Peace Corps, $113.1 million; supplementary contributions to the Inter-American Development Bank and the International Development Association, $354.0 million; and other miscellaneous programs, $86.1 million.

[b] Includes Export-Import Bank long-term loans, $9.5 billion; civilian supplies, $5.3 billion; 1946 British loan, $3.8 billion; United Nations Relief and Rehabilitation Administration, post-UNRRA and Interim Aid, $3.4 billion; capital subscriptions to IBRD and other international organizations, $1.9 billion; surplus property credits, $1.5 billion; and other programs, $3.8 billion.

[c] Includes $6.1 million made available to the American Red Cross in connection with Cuban prisoner exchange.

[d] Regional programs in Central America, covering Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

[e] Represents miscellaneous territories not shown separately.

TABLE No. 3.—Basic Economic Data for the Less Developed Non-Communist Areas

Country	Population (1966)		Area			GNP per capita (1965 est.) [a]	Electric power per capita	Education		Health—people per doctor	Export trade—main export
	Total	Rate of growth	Total	Agricultural land				Literacy [b]	Pupils as percent of population [c]		
				Percent of total area	Acres per capita						
	Millions	*Percent*	*1000 sq. miles*	*Percent*	*Acres*	*Dollars*	*KWH per year*	*Percent*	*Percent*	*Number*	*Item*
Developed areas [d]	635	1.2	12,400	39	5	2,110	3,740	96	19	780	
United States	197	1.4	3,600	47	6	3,500	5,950	98	23	690	
Less developed areas	1,600	2.5	26,400	26	3	180	155	37	12	4,000	
Africa [e]											
Including South Africa	270.7	2.4	11,300	31	8	155	200	18	9	11,400	
Excluding South Africa	252.5	2.4	10,800	27	8	125	80	17	8	17,700	
Algeria	12.1	2.9	920	19	9	225	95	15	19	12,800	Petroleum.
Botswana	0.6	3.0	222	72	177	60	(*)	20	12	22,000	Cattle carcasses.
Burundi	2.9	2.5	11	71	2	50	5	(*)	5	65,000	Coffee.
Cameroon	5.3	2.1	183	35	8	130	212	10	12	26,900	Coffee, cocoa.
Central African Republic	1.4	2.0	238	10	11	90	16	15	9	40,000	Diamonds, cotton.
Chad	3.5	2.0	496	40	37	70	5	5	5	81,900	Cotton.
Congo (Brazzaville)	1.0	2.5	132	2	2	140	45	20–25	19	12,500	Wood, diamonds.
Congo (Kinshasa)	16.3	2.3	906	22	8	80	160	30–40	14	30,100	Copper.
Dahomey	2.4	2.9	43	18	2	70	8	5	6	20,100	Palm products.
Ethiopia	20.5	1.4	457	66	10	58	12	5	2	61,400	Coffee.

See footnotes at end of table.

TABLE No. 3.—Basic Economic Data for the Less Developed Non-Communist Areas—Continued

Country	Population (1966)		Area			GNP per capita (1965 est.) [a]	Electric power per capita	Education		Health—people per doctor	Export trade—main export
	Total	Rate of growth	Total	Agricultural land				Literacy [b]	Pupils as percent of population [c]		
				Percent of total area	Acres per capita						
	Millions	*Percent*	*1000 sq. miles*	*Percent*	*Acres*	*Dollars*	*KWH per year*	*Percent*	*Percent*	*Number*	*Item*
Africa [e]—Continued											
Gabon	0.5	0.7	103	2	3	300	84	10–15	17	5,700	Wood, manganese.
Gambia	0.3	2.2	4	19	1	85	22	10	4	18,200	Peanuts.
Ghana	8.0	2.7	92	22	2	285	68	20–25	17	12,000	Cocoa.
Guinea	3.6	3.0	95	(*)	(*)	73	49	10	6	28,400	Alumina.
Ivory Coast	3.9	2.3	125	(*)	(*)	251	57	20	10	18,600	Coffee, wood.
Kenya	9.6	3.0	225	10	1	90	55	20–25	11	9,700	Coffee, tea.
Lesotho	0.9	1.7	12	94	8	58	(*)	35	20	23,300	Wool, mohair.
Liberia	1.1	1.6	43	37	9	199	248	10	8	11,700	Iron ore, rubber.
Libya	1.7	3.7	679	6	17	542	83	30	12	4,000	Petroleum.
Malagasy Republic	6.6	3.5	230	62	14	90	21	35	11	10,300	Coffee, vanilla.
Malawi	4.1	3.0	46	19	1	41	13	5–10	9	43,100	Tobacco, tea.
Mali	4.7	2.1	465	(*)	(*)	65	6	5	4	40,000	Livestock, peanuts.
Mauritania	0.9	2.2	419	36	104	138	6	1–5	3	30,300	Iron ore.
Mauritius	0.8	2.8	1	66	0.4	231	139	60	23	3,700	Sugar.
Morocco	13.7	3.1	172	35	3	196	96	10–15	10	10,800	Phosphates.
Niger	3.4	3.0	489	14	13	75	6	1–5	2	64,700	Peanuts.
Nigeria	/ 43.6	/ 2.1	357	24	1	114	28	30–35	8	26,500	Petroleum, cocoa.

Rhodesia, Southern	4.4	3.2	150	17	4	240	966	20	17	7,700	Tobacco.
Rwanda	3.2	3.1	10	71	1	50	4	5–10	12	143,700	Coffee, tin ore.
Senegal	3.6	2.3	76	28	4	195	58	5–10	7	15,200	Peanuts &products.
Sierra Leone	2.3	2.2	28	82	6	150	38	10	6	14,200	Diamonds, iron ore.
Somali Republic	2.6	2.9	246	34	21	60	4	5	1	31,900	Bananas, livestock.
Sudan	13.9	2.9	967	12	6	104	13	10–15	4	29,500	Cotton.
Tanzania	10.7	1.9	363	50	11	71	22	15–20	7	19,700	Sisal, cotton.
Togo	1.7	2.7	22	42	3	95	6	5–10	11	23,100	Phosphates, cocoa.
Tunisia	4.8	2.5	63	60	5	200	77	25–35	18	10,200	Olive oil, phosphates.
Uganda	7.7	2.5	91	16	1	87	76	25	7	12,600	Coffee, cotton.
Upper Volta	5.0	2.0	106	18	2	53	4	5–10	2	63,500	Livestock.
Zambia	3.8	2.9	288	41	20	227	798	40	12	8,900	Copper.
East Asia:[a]											
Including Japan	380	2.2	1,700	17	0.5	320	550	70	17	2,300	.....
Excluding Japan	281	2.7	1,560	17	0.6	130	90	60	15	5,200	.....
Burma	25.3	2.1	262	13	0.9	71	24	60	9	9,300	Rice.
Cambodia	6.2	2.1	70	16	1.2	132	14	31	13	25,000	Rice and rubber.
China (Taiwan)	13.2	2.8	14	25	0.2	215	490	78	22	1,500	Sugar.
Hong Kong	3.8	4.7	0.4	13	0.1	421	650	71	21	2,800	Clothing and textiles.
Indonesia	106.9	2.3	576	12	0.4	100	19	43	11	41,000	Rubber and oil.
Korea, South	29.1	2.8	38	22	0.2	102	110	71	22	2,600	Fish and plywood.
Laos	2.7	2.4	91	8	2.0	66	7	15	6	49,000	Tin.
Malaysia	9.7	3.0	128	17	1.5	305	250	43	18	6,500	Rubber and tin.
Philippines	33.5	3.4	116	37	0.9	161	150	72	19	1,700	Sugar and coconuts.
Singapore	1.9	2.7	0.2	22	.02	500	500	60	24	2,300	Rubber and oil.
Thailand	32.4	3.1	198	21	0.8	123	34	68	16	7,300	Rice and rubber.
Vietnam, South	16.6	2.8	66	35	0.9	115	39	40–50	13	16,600	Rubber.
19 Latin American Republics	236.9	2.9	7,710	25	5	385	400	66	16	1,800	.....
Argentina	22.7	1.6	1,084	50	16	718	690	91	17	670	Grain and meat.
Bolivia	4.2	2.4	424	13	8	145	130	32	14	3,830	Tin.
Brazil	84.0	3.0	3,280	15	4	270	410	61	13	2,500	Coffee.
Chile	9.0	2.4	286	17	3	485	670	84	20	1,770	Copper.
Colombia	18.5	3.0	440	17	3	284	320	62	14	2,280	Coffee.
Costa Rica	1.6	3.8	20	30	2	395	430	84	21	2,200	Coffee.
Dominican Republic	3.7	3.6	19	26	1	265	140	64	17	1,620	Sugar.

TABLE No. 3.—Basic Economic Data for the Less Developed Non-Communist Areas—Continued

Country	Population (1966)		Area			GNP per capita (1965 est.) [a]	Electric power per capita	Education		Health—people per doctor	Export trade—main export
	Total	Rate of growth	Total	Agricultural land				Literacy [b]	Pupils as percent of population [c]		
				Percent of total area	Acres per capita						
19 Latin American Republics—Continued	*Millions*	*Percent*	*1000 sq. miles*	*Percent*	*Acres*	*Dollars*	*KWH per year*	*Percent*	*Percent*	*Number*	*Item*
Ecuador	5.3	3.4	112	19	3	222	110	68	17	2,990	Bananas.
El Salvador	3.0	3.2	8	51	1	273	140	48	15	4,520	Coffee.
Guatemala	4.8	3.3	42	19	1	305	90	38	10	4,190	Coffee.
Haiti	4.8	2.3	11	31	0.4	70	20	10	6	14,980	Coffee.
Honduras	2.3	3.1	43	38	4	223	80	45	13	6,640	Bananas.
Mexico	44.2	3.5	760	52	6	455	400	71	18	2,020	Cotton.
Nicaragua	1.7	3.5	57	13	3	355	190	50	13	2,370	Cotton.
Panama	1.3	3.2	29	18	3	495	400	78	20	1,920	Bananas and petroleum.
Paraguay	2.1	2.6	157	27	14	221	60	68	19	1,660	Meat.
Peru	12.0	3.1	514	16	4	367	330	61	20	2,150	Fishmeal and copper.
Uruguay	2.8	1.4	72	86	14	573	640	91	15	880	Wool and meat.
Venezuela	9.0	3.4	352	21	5	882	920	80	19	1,280	Petroleum.

Other Latin America:											
British Honduras	0.1	3.1	9	2	1	370	(*)	89	29	3,700	Timber and citrus.
Guyana	0.7	2.8	83	13	10	298	310	80	25	2,110	Sugar.
Jamaica	1.8	2.6	4	45	1	489	450	85	20	2,040	Bauxite and sugar.
Surinam	0.4	2.9	55	0.3	0.3	392	690	80	23	2,240	Bauxite.
Trinidad and Tobago	1.0	3.0	2	35	0.4	646	930	80	23	2,550	Petroleum.
Near East Total [e]	128.6	2.5	2,526	32	3.0	290	210	36	13	2,400	.....
Cyprus	0.6	1.5	4	57	2.1	702	563	76	17	1,400	Minerals.
Greece	8.6	0.5	51	68	2.6	650	483	82	15	750	Tobacco.
Iran	24.0	2.5	636	11	1.9	253	98	15–20	11	3,200	Oil.
Iraq	8.4	3.2	173	35	4.6	233	147	20	16	4,800	Oil.
Israel	2.7	2.6	8	53	1.0	1,325	1,615	90	22	430	Diamonds, citrus.
Jordan	2.0	3.0	38	12	1.4	244	82	35–40	19	4,700	Vegetables & fruits.
Kuwait	0.5	[h] 12.0	6	(*)	(*)	3,196	1,369	47	17	800	Oil.
Lebanon	2.6	2.5	4	27	0.3	450	299	86	15	1,400	Fruits.
Saudi Arabia	6.9	1.7	772	[i] 43	31.0	225	(*)	5–15	[j] 3	12,700	Oil.
Syrian Arab Republic	5.9	3.0	71	69	5.6	197	63	35	14	5,500	Cotton.
Turkey	31.9	2.5	301	70	4.2	261	159	46	14	3,200	Tobacco.
United Arab Republic	30.4	2.7	386	3	0.2	160	177	30	14	2,500	Cotton.
Yemen Arab Republic	4.1	(*)	75	(*)	(*)	120	(*)	10	2	54,000	Coffee.
South Asia Total	653.3	2.4	1,961	43	0.8	100	70	25	11	6,300	.....
Afghanistan	15.4	2.0	254	19	1.9	83	12	5–10	[j] 2	29,300	Fruits, nuts, karakul.
Ceylon	11.6	2.9	25	29	0.4	145	37	70–80	24	4,600	Tea.
India	499.0	2.4	1,263	54	0.9	101	77	24	12	5,800	Tea, textiles.
Nepal	10.3	2.0	54	13	0.4	73	2	5–10	4	42,200	Rice.
Pakistan	117.0	2.6	365	27	0.5	97	36	20	8	7,700	Jute and mfrs.

* Not available.

[a] GNP data unadjusted for inequalities in purchasing power among countries.

[b] Includes very rough estimates for many countries.

[c] Primary and secondary school pupils.

[d] Generally Australia, Canada, Western Europe, Japan, New Zealand, South Africa, and the United States.

[e] Egypt is included under Near East. Totals include countries not listed.

[f] Estimate pending study of recent census figure of 55.6 million. General economic data are based on pre-census series.

[g] Total for countries listed.

[h] Reflects heavy immigration in recent years.

[i] Mostly grazing land.

[j] Public education only.

TABLE No. 4.—Summary of Estimated Fund Availabilities—Fiscal Year 1967 and Fiscal Year 1968

(Thousands of Dollars)

	Estimated Fiscal Year 1967						
	Appropriations	Unobligated balance carried over from prior year	Transfers between appropriations	Reimbursements and receipts	Estimated recoveries	Total available for programming	Fiscal year 1967 program
Development Loans	500,000	59,124	[a] −385	20,488	40,000	619,227	619,227
Technical Assistance	200,000	8,137	[a] −115	700	16,600	225,322	225,322
Alliance for Progress:							
Development Loans	420,300	8,302	[a] −235	9,398	32,000	469,765	469,765
Technical Assistance	87,700	709	[a] −50	300	6,291	94,950	94,950
Supporting Assistance: [e]							
General	165,000	3,729	[a] −395	4,820	20,600	193,754	193,754
Vietnam	525,000	.....	.....	.....	.....	525,000	525,000
(Administrative expenses, included above)	(5,000)	(−)	[a] (−)	(−)	(−)	(5,000)	(5,000)
Contingency Fund, General	35,000	35,720	.....	.....	5,300	76,020	51,020
International Organizations and Programs	140,433	7,287	.....	.....	.....	147,720	147,720
American Sponsored Schools and Hospitals Abroad	[d] 10,989	90	.....	.....	50	11,129	11,000
Pre-Investment Assistance	.....	1,174	.....	.....	500	1,674	1,674
Administrative Expenses, AID	55,814	1,121	[a] 1,100	1,800	750	[a] 60,585	[a] 59,835
Administrative and Other Expenses, State	3,255	13	[a] 60	.....	.....	3,328	3,328
Total Economic Assistance	2,143,491	125,406	[b] −20	37,506	122,091	2,428,474	2,402,595

See footnotes at end of table.

TABLE No. 4—Summary of Estimated Fund Availabilities—Fiscal Year 1967 and Fiscal Year 1968—Continued

(Thousands of Dollars)

	Proposed Fiscal Year 1968							Estimated unobligated balance 6/30/68
	Unobligated balance carried over from prior year	Appropriation request	Transfers between appropriations	Reimbursements and receipts	Estimated recoveries	Total available for programming	Fiscal year 1968 program	
Development Loans	.....	774,000	.....	33,250	55,000	862,250	862,250	.....
Technical Assistance	.....	242,815	.....	700	20,300	263,815	263,815	.....
Alliance for Progress:								
Development Loans	.....	[f] 533,000	.....	17,500	27,625	578,125	578,125	.....
Technical Assistance	.....	[g] 110,000	.....	300	4,700	115,000	115,000	.....
Supporting Assistance: [e]								
General	.....	170,000	.....	6,500	18,850	195,350	195,350	.....
Vietnam	.....	550,000	.....	.....	.....	550,000	550,000	.....
(Administrative expenses, included above)	(—)	(11,000)	[b](—)	(—)	(—)	(11,000)	(11,000)	(—)
Contingency Fund, General	25,000	31,000	.....	.....	4,000	60,000	60,000	.....
International Organizations and Programs	.....	140,980	.....	.....	5	140,985	140,985	.....
American Sponsored Schools and Hospitals Abroad	129	13,900	.....	.....	.....	14,029	14,029	.....
Pre-Investment Assistance	.....	2,000	.....	.....	200	2,200	2,200	.....
Administrative Expenses, AID	750	59,325	(a)	1,676	750	[c] 62,501	[c] 61,751	750
Administrative and Other Expenses, State	.....	3,400	.....	.....	.....	3,400	3,400	.....
Total Economic Assistance	25,879	2,630,420	.....	59,926	131,430	2,847,655	2,846,905	750

[a] Represents transfers to Administrative Expenses, AID, and Administrative and Other Expenses, State, for pay raise costs.

[b] Represents transfer to GSA for rental costs.

[c] In fiscal year 1967 there was a single appropriation for Supporting Assistance with no amount specified for Vietnam. In fiscal year 1968 a separate appropriation for Vietnam is requested.

[d] In addition, $1.0 million equivalent in excess local currencies was appropriated for medical center in Israel.

[e] Excludes $5 million transfer in fiscal year 1967 and proposed transfer of $11 million in fiscal year 1968 from Supporting Assistance for Expanded Vietnam activities.

[f] Includes an additional request of $90 million in connection with the Latin American "summit" conference.

[g] Includes an additional request of $10 million in connection with the Latin American "summit" conference.

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AID-FINANCED COMMODITY EXPENDITURES

MAJOR COMMODITIES PURCHASED in U.S. and OFFSHORE

FY 1966 - Millions of Dollars